

DRAFT REPORT

MARKET ANALYSIS FOR RESIDENTIAL DEVELOPMENT IN COYOTE VALLEY

Prepared for:

City of San Jose

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I. INTRODUCTION AND SUMMARY OF FINDINGS

Economic & Planning Systems, Inc. (EPS) and S.L. State & Associates have been retained by the City of San Jose to provide a variety of economic consulting services in furtherance of the creation of the Coyote Valley Specific Plan. A key part of these services is the assessment of market conditions for residential, retail, and workspace development. This report presents the EPS/ S.L. State & Associates' findings regarding the current and future market prospects for residential development at Coyote Valley. It is supported by a companion document prepared by S. L. State and Associates, entitled "Recommended Product Array Synopsis - Coyote Valley".

BACKGROUND

Coyote Valley is an area comprised of over 7,000 acres of land in the southern part of San Jose and in unincorporated Santa Clara County but within San Jose's sphere of influence. Since the 1980s, San Jose's City Council has maintained a policy that reserves Coyote Valley for future urban development, and establishes goals for the overall development program for the area as well as "triggers" that must be met for the development to begin. Specifically, the policy has maintained that the overall plan for Coyote Valley must reserve over half of the overall acreage as a "greenbelt" on which no urban development can occur, and that the remainder of the land must be developed at sufficient density to accommodate 50,000 "qualifying" jobs (excluding retail and public or quasi-public jobs) and 25,000 housing units. In addition, a trigger has been established that none of the housing development can occur until at least 5,000 of the qualifying jobs are in place in Coyote Valley.

The Coyote Valley Specific Plan is being developed through the joint efforts of the City of San Jose and a multidisciplinary group of consultants, including EPS. This residential market assessment is intended to provide information that will help this group of stakeholders to create the following:

1. A land use program that is supported by current and expected market conditions and meets the established goals for the development of Coyote Valley.
2. A financing program that distributes the benefits, costs, and risks of development among the various landowners.
3. An implementation strategy that efficiently phases and locates land use and infrastructure development to optimize the value of development to the landowners, developers, and the City of San Jose.

KEY FINDINGS

The following points summarize the most important findings of this report:

DEMOGRAPHIC AND HOUSING TRENDS

- 1. The Santa Clara County and City of San Jose housing markets have remained strong despite the economic downturn of the last several years.** Pent-up demand for housing and low interest rates has continued to drive housing construction and residential permit applications in Santa Clara County and the City of San Jose.
- 2. The City of San Jose's housing supply pipeline is significant, though is likely to be more limited beyond 2010.** There is a significant competitive supply of housing in the pipeline, though much of this will have been absorbed by the time Coyote Valley is developed. The City's housing supply pipeline includes about 22,000 housing units, the majority of which are infill, for-sale attached and rental projects.
- 3. Market demand for housing in the City of San Jose is expected to be strong well into the future.** The existing excess demand for housing along with projected new population and household growth will continue to drive the City's residential market and absorb new development into the future.
- 4. Demand for about 66,000 housing units is projected for the City of San Jose over the next 20 years.** Projections of new households in the City of San Jose vary, though, on average, equal about 3,300 new households each year, or about 66,000 household between 2005 and 2025.
- 5. Recent and projected demographic trends point to a diverse pattern of future residential demand.** Demographic changes in household size, age, and ethnicity will directly affect the types of residential products demanded. Current and projected estimates of family and non-family households imply a continued demand for family and non-family housing. The continued aging of the baby boom generation will dramatically increase the proportion of empty nester and retiree households in the housing market. Increases in the number of Asian and Hispanic buyers may also alter housing preferences.
- 6. The close relationship between household size and preferred unit size and type is expected to continue.** Case studies of residential developments in Santa Clara County, the San Francisco Bay Area, and other regions in California and the U.S. show clear differences in the demand profile between families with and without children, as well as between couples and singles, and older and younger households. Households with children predominantly seek single-family detached homes, and, to a lesser extent townhomes. Couples without children purchase a range of product types, with young

couples driving demand for small and medium-sized condos and all-age couples driving the demand for mid- and high-rise condos. Singles demand smaller units and represent an important segment of the demand for low-, mid-, and high-rise condos.

7. Of the total of 66,000 housing units projected to be constructed over the next 20 years, about 20,000 units are expected to be single-family detached, 23,000 units single-family attached, and 23,000 units apartments. The limited number of single-family detached development opportunities will reduce its typical share of new construction and shift much of its demand towards townhome product. The single-family detached product that is constructed will be absorbed quickly, including smaller lot detached product. Demand for attached product will come from a range of households, with significant variations in buyer profiles between small condos, lofts, different types of townhomes, and mid- and high-rise developments. Rental product is also expected to be in high demand over the next decades, and will be spurred, in part, by future economic growth.

PROSPECTS FOR COYOTE VALLEY

1. Coyote Valley is in a strong position to capture a significant proportion of this growth. The increasingly constrained opportunities for development elsewhere, along with the scale and planned improvements, design, and amenities in Coyote Valley will result in a high capture of new residential development at Coyote Valley. **Table 1.1** shows a market-supported land use program that could also meet the City's housing requirement in addition to the expected Coyote Valley absorption rates by product type.

2. Demand for single-family detached product will be strong, but its inclusion in the land use program will be limited by the required residential density. The Coyote Valley land use program could support as much as 12,500 units of single-family detached product. However, in order to meet the density requirements, only about 25 percent of the program, or 6,250 units of primarily small lot single-family detached development, can be included. This product could likely be absorbed in less than 12 years at a rate of about 550 units each year.

3. Demand for townhomes will also be strong, though not as strong as for single-family detached product. Townhomes will appeal to a broad range of household types and will capture an increased proportion of demand due to the limited detached housing development opportunities. Coyote Valley will compete with townhome developments in a number of other areas, though over time, as it grows and develops, is expected to expand its capture rate from 25 percent to 40 percent of the townhome market. About 25 percent of the land use program could be allocated to townhomes, about 6,250 units, without compromising the overall density requirement and could be absorbed over the course of 25 years.

Table 1.1
Coyote Valley Capture, Absorption, and Potential Land Use Program
Coyote Valley Specific Plan Market Analysis

Product Type	Annual San Jose Demand	Coyote Valley Avg. % Capture	Annual Coyote Valley Demand	Proposed Land Use Program		Years-to-Buildout
SF Detached	1,000	55%	550	6,250	25%	11
Townhomes	750	32.5%	244	6,250	25%	26
Condos/ Lofts/ Stacked Townhomes (1)	400	30%	120	3,750	15%	31
Rental Product (1)	<u>1,150</u>	27.5%	<u>316</u>	<u>8,750</u>	<u>35%</u>	28
Total	3,300	--	1,230	25,000	100%	--

(1) Condo and apartment development will be spread amongst low-, mid- and high-rise developments. Rentals will dominate the low-rise product, though condos will be more prevalent among the mid- and high-rise developments.

Source: S. L. State & Associates; Economic & Planning Systems, Inc.

4. Demand for condominiums will increase as Coyote Valley develops. Demand will exist for a broad range of condominiums, including small condominiums and lofts aimed at singles, standard condominiums in three- and four-story buildings that will primarily appeal to young couples, and mid- and high-rise condos that will appeal to more affluent couples. Coyote Valley could capture about 20 percent of the demand for condominiums, lofts, and stacked townhomes in its early years, increasing to 40 percent as competitive supply diminishes and the range of amenities increases. A 15 percent allocation of the land use program, or 3,750 units of for-sale condominiums/ lofts/ stacked townhomes, will take about 30 years to absorb at a rate of about 120 units each year. With the exception of product aimed at seniors, the mid- and high-rise development is only likely to develop after five or more years of Coyote Valley development.

5. Demand for apartments will be strong and consistent through time. Outside of the senior housing rental market, a large proportion of demand for apartments will be driven by its proximity to jobs in Coyote Valley and in Edenvale. Apartments will primarily be in low-rise single- and mixed-use developments, in addition to some mid-rise developments. Apartment developments will compete with development elsewhere, and will need to provide the internal amenities expected by many apartment dwellers. About 35 percent of the land use program could be apartment development, about 8,750 units. It will take close to 30 years to absorb this product. As the baby boom generation ages, the senior housing market is set to expand, providing a number of opportunities for both assisted care and assisted living rental projects, in both low- and mid-rise developments.

6. Mid- and high-rise developments could be absorbed at moderate levels. Rental and for-sale mid- and high-rise product could be developed at Coyote Valley, as mentioned above. Mid- and high-rise developments have proved successful in a number of cities throughout the San Francisco Bay Area and beyond, and there is likely sufficient demand to support such developments at Coyote Valley. This development is unlikely to drive the early stages of residential development at Coyote Valley and is more likely to occur once Coyote Valley is more defined as a place. Together mid- and high-rise development should not represent more than 15 percent of the land use program, about 3,750 units, and a greater emphasis should be placed on mid-rise development.

ORGANIZATION OF REPORT

After this introductory chapter, **Chapter II** provides an overview of historical and projected demographic trends. **Chapter III** summarizes the recent trends in residential development in the City of San Jose and Santa Clara County, and **Chapter IV** evaluates the prospects for residential development in Coyote Valley. **Appendix A** provides data on residential sales over the last 14 years and **Appendix B** describes a number of completed and planned mid- and high-rise projects.

II. HOUSEHOLD GROWTH AND DEMOGRAPHICS

This chapter describes the historical and projected household growth in the San Francisco Bay Area, Santa Clara County, and the City of San Jose. It also provides a portrait of the current and projected demographic profile, including household distributions by size, age, ethnicity, and income. The past and projected growth in population and households, along with their particular demographic make-up, provides an indication of the nature of future demand for housing.

HISTORICAL GROWTH

NUMBER OF HOUSEHOLDS

San Francisco Bay Area

In 1990, the San Francisco Bay Area had 6.0 million residents and 2.25 million households. Between 1990 and 2003, the Bay Area's population increased by 850,000 and the number of households by 290,000. This growth represented an annual growth rate of 65,000 new residents and 22,000 new households, for an annual growth rate of about 1.0 percent each year. The Bay Area's population grew at a higher rate than its household growth, increasing the average number of persons in each household (see **Table 2.1**).

These growth rates, however, understate the housing demand emanating from the Bay Area. As the economy has continued to grow through business cycles, household formation has continued apace, with much of it edging across the traditional nine-county definition of the Bay Area, into locations such as western San Joaquin County, San Benito County, and Monterey County. The search for affordable single-family detached housing as well as different lifestyle options has driven this trend, and the commute shed for the San Francisco Bay Area is now generally considered to include a 12-county area.

Santa Clara County

In 1990, Santa Clara County included 1.5 million residents and 520,000 households, almost one-quarter of the San Francisco Bay Area's population and households. Between 1990 and 2003, Santa Clara County added 230,000 new residents and 62,000 households, an average of 17,900 new persons and 4,800 new households each year. Its growth rate was similar to that of the nine-county San Francisco Bay Area as a whole, and its share of population and households remained relatively constant (see **Table 2.1**).

Table 2.1
Historical Population and Household Growth
Coyote Valley Specific Plan Market Analysis

Item/ Area	1990	2003	Total Change	Annual Change	Annual Growth Rate
<u>Population</u>					
San Jose	782,225	924,950	142,725	10,979	1.3%
Santa Clara County	1,497,577	1,729,917	232,340	17,872	1.1%
San Jose as % of County	52%	53%	61%	61%	na
Bay Area	6,020,147	6,867,237	847,090	65,161	1.0%
Santa Clara County as % of Bay Area	25%	25%	27%	27%	na
<u>Households (1)</u>					
San Jose	250,211	286,435	36,224	2,786	1.0%
Santa Clara County	520,180	582,252	62,072	4,775	0.9%
San Jose as % of County	48%	49%	58%	58%	na
Bay Area	2,245,865	2,532,588	286,723	22,056	0.9%
Santa Clara County as % of Bay Area	23%	23%	22%	22%	na

(1) Number of households not provided by DOF; occupied Housing Units used as proxy for number of households.
 Sources: 1990 Census; 2003 California Department of Finance: Economic & Planning Systems, Inc.

City of San Jose

In 1990, the City of San Jose included about 780,000 residents and 250,000 households. Between 1990 and 2003, the City population grew by 143,000 and the number of households increased by 36,000. This growth represented annual increases of 11,000 residents and 2,800 households, and annual growth rates of 1.3 percent in population and 1.0 percent in households. These growth rates were above those in Santa Clara County and the Bay Area, and also show a greater increase in the number of persons per household in San Jose. In 1990, the City of San Jose represented 52 percent of the County's population and 48 percent of its households. Since 1990, its share has increased gradually, with 61 percent of new County residents and 58 percent of new households locating in the City (see **Table 2.1**).

DEMOGRAPHIC AND INCOME PROFILE

Household Size

The 1990s saw an increase in the formation of larger households as housing prices rose and more households embraced extended-family living. Nevertheless, one- and two-person households remained dominant household sizes with 51 percent of Santa Clara County and 45 percent of City of San Jose households in 2000. Census data on household size in both 1990 and 2000 is shown in **Table 2.2** and described below.

- **One-person households.** Single-person households include individuals with a range of ages and incomes. These households include young individuals establishing their independence; young, single professionals; divorcees; and widowers. Single-person households represent a significant proportion of households in Santa Clara County and the City of San Jose.

Singles represented 121,000 households in Santa Clara County in 2000, 21 percent of all households and a slight, proportionate reduction from 1990. About 8,000 net new single-person households were added between the decennial censuses in the County, an average of 800 new households each year. The proportion of City of San Jose households in single-person households was slightly lower, at 18 percent in 2000, remaining steady as a proportion of all households since 1990. A total of about 4,500 new single-person households were added during the 1990s, an average of 450 each year.

- **Two-person households.** There are more two-person households in the County and City than any other household size. These households include a range of household types with a range of lifestyle preferences, including young couples, nonfamily members sharing a home, empty nesters, and single parents with a single child. Two-person households represented 170,000 households in Santa Clara County in 2000, 30 percent of all households. Two-person households, however, represented

Table 2.2
Historical Trends in Household Size (1990-2000)
Coyote Valley Specific Plan Market Analysis

Household Type	Santa Clara County							San Jose						
				1990-2000							1990-2000			
	1990 hholds	% of total	2000 hholds	% of total	# hholds	% change	% of total	1990 hholds	% of total	2000 hholds	% of total	# hholds	% change	% of total
1-Person Household	112,895	22%	120,926	21%	8,031	7%	18%	45,889	18%	50,456	18%	4,567	10%	18%
2-Person Household	163,559	31%	170,331	30%	6,772	4%	15%	70,501	28%	75,312	27%	4,811	7%	19%
3-Person Household	92,331	18%	95,481	17%	3,150	3%	7%	45,915	18%	47,575	17%	1,660	4%	7%
4-Person Household	80,402	15%	89,830	16%	9,428	12%	21%	42,654	17%	46,241	17%	3,587	8%	14%
5-Person Household	39,587	8%	44,332	8%	4,745	12%	11%	23,448	9%	25,929	9%	2,481	11%	10%
6-Person Household	16,930	3%	21,972	4%	5,042	30%	11%	10,815	4%	14,008	5%	3,193	30%	13%
7 or more-Person Household	16,336	3%	23,613	4%	7,277	45%	16%	11,828	5%	16,887	6%	5,059	43%	20%
TOTAL	522,040	100%	566,485	100%	44,445	9%	100%	251,050	100%	276,408	100%	25,358	10%	100%

Sources: Census 1990 and Census 2000; Economic & Planning Systems, Inc.

only 15 percent of the new households added during the 1990s. About 6,700 net new two-person households were added between the decennial censuses in the County, an average of 670 new households each year.

The proportion of City of San Jose households in two-person households was slightly lower at 27 percent in 2000, with their proportion of 1990s growth also comparatively low at 19 percent. A total of about 4,800 new two-person households were added during the 1990s, an average of 480 each year.

- **Three- to Five-person households.** Together, three- to five-person households make up a large block of households, though not as large as the combined one- and two-person households. This group encompasses traditional nuclear families with two parents and one to three children, but also includes housemates situations and a range of other family situations, including multigenerational families. Three- to five-person households represented 230,000 households in Santa Clara County in 2000, 41 percent of all households. Their share of growth throughout the 1990s declined slightly with a proportionate reduction in three-person households being partially balanced by an increase in four- and five-person households. About 17,300 of these households were added between the decennial censuses in the County, an average of 1,730 new households each year.

The proportion of City of San Jose households in this grouping was slightly higher than in the County at 43 percent of all households, a reduction from its 1990 share due to proportionate reductions in three and four person households. A total of about 7,700 new three- to five-person households were added during the 1990s, an average of 770 each year.

- **Six or more person households.** Increasing housing prices and extended family living led to the formation of an increasing number of six- or-more-person households since 1990. These households are primarily made up of multigenerational family households, though they also include some large nonfamily households and nonfamily members living with family households. Six-plus person households represented about 45,000 households in Santa Clara County in 2000, eight percent of all households. Their share of growth throughout the 1990s was much higher than its historical share at 27 percent of net new households. About 12,300 of these households were added between the decennial censuses in the County, an average of 1,230 new households each year. The proportion of City of San Jose households in this grouping was higher than in the County at 11 percent of all households. Its 1990s share was also higher with 33 percent of new households. A total of about 8,200 new six-plus person households were added during the 1990s, an average of 820 each year.

Age

Between 1990 and 2000, the baby boom generation continued to increase the numbers in the 35- to 54-year age group, while the echo boom generation, the baby boom generations' children, increased the under-19 population group. As the baby boomers aged out of the 20- to 34-year group, the smaller Generation X entered it, resulting in a reduction of persons in this age group. Census data on household size in both 1990 and 2000 are shown in **Table 2.3** and described below for Santa Clara County.

- **55 years and over.** In 2000, 294,000 people in the County, 17 percent of all persons, were born over 55 years ago and include the inter-war and WWII generation. These individuals are now, in 2004, primarily over 60 years and half of them are over 70 years. The number of persons in this age group increased significantly between 1990 and 2000.
- **35 to 54 years.** In 2000, there were over half a million people in this age group, 520,000 persons, about 31 percent of persons in the County. These people were born between 1946 and 1965 and represent the baby boom generation. Now, in 2004, they are aged between 39 and 58 years old. The number of persons in this age range increased by 110,000 during the 1990s as the large baby boomer generation continued to enter this age range.
- **20 to 34 years.** In 2000, there were 410,000 persons in this age range, about 24 percent of County residents. These persons were born between 1966 and 1980. The majority of them, born between 1966 and 1978, represent Generation X, with the remainder part of the echo boom generation. These individuals are now, in 2004, between 24 and 38 years. This age range was the only one to see a reduction in the number of persons, 33,000, during the 1990s. As the baby boom generation aged out of this range, Generation X entered it with fewer numbers.
- **0 to 19 years.** In 2000, there were 460,000 persons in this age range, about 27 percent of County population. These persons were born between 1980 and 2000 and are, as of 2004, aged between 4 and 23 years. A large proportion of them are the children of the baby boom generation, generally known as the echo boom generation. A total of 56,000 new persons were added to this age group during the 1990s.

Race and Ethnicity

While somewhat skewed by the changing accounting methods of the census between 1990 and 2000, the County and City have both experienced significant increases in the proportions of Asian and two-or-more-race individuals, while the white population has declined. The numbers of persons of Hispanic ethnicity (across all races) have also increased significantly. Census data on race and ethnicity in both 1990 and 2000 are shown in **Table 2.4** and described for the County below.

Table 2.3
Population Growth Trends by Age Cohort (1990-2000)
Coyote Valley Specific Plan Market Analysis

Age Group	Santa Clara County						San Jose					
	1990		2000		1990-2000		1990		2000		1990-2000	
	Persons	% Total	Persons	% Total	#	% Change	Persons	% Total	Persons	% Total	#	% Change
19 and under	402,821	27%	459,108	27%	56,287	14%	231,495	30%	260,208	29%	28,713	12%
20 to 34	441,705	29%	408,656	24%	(33,049)	-7%	234,529	30%	223,625	25%	(10,904)	-5%
35 to 54	411,096	27%	521,154	31%	110,058	27%	208,122	27%	270,015	30%	61,893	30%
55 to 64	113,109	8%	134,404	8%	21,295	19%	52,519	7%	67,416	8%	14,897	28%
65 and over	128,846	9%	159,263	9%	30,417	24%	55,560	7%	72,625	8%	17,065	31%
					28%						29%	
Total	1,497,577	84%	1,682,585	100%	185,008	12%	782,225	100%	893,889	100%	111,664	14%
Non-working Population	531,667	36%	618,371	37%	86,704	16%	287,055	37%	332,833	37%	45,778	16%
Working Population	965,910	64%	1,064,214	63%	98,304	10%	495,170	63%	561,056	63%	65,886	13%
Total	1,497,577	100%	1,682,585	100%	185,008	12%	782,225	100%	893,889	100%	111,664	14%

Sources: Census 1990, Census 2000, and Economic & Planning Systems, Inc.

Table 2.4
Historical Trends in Race and Ethnicity Growth Trends (1990-2000)
Coyote Valley Specific Plan Market Analysis

Race	Santa Clara County						San Jose					
	1990		2000		1990-2000		1990		2000		1990-2000	
	Persons	%	Persons	%	#	%	Persons	%	Persons	%	#	%
	Total		Total		Change		Total		Total		Change	
White	1,035,029	69%	902,150	54%	(132,879)	-13%	492,692	63%	422,159	47%	(70,533)	-14%
Black	55,365	4%	45,076	3%	(10,289)	-19%	36,397	5%	30,107	3%	(6,290)	-17%
American Indian	9,130	1%	11,233	1%	2,103	23%	5,323	1%	7,340	1%	2,017	38%
Asian (1)	261,574	17%	435,994	26%	174,420	67%	152,926	20%	242,699	27%	89,773	59%
Other Race (2)	136,479	9%	288,132	17%	151,653	111%	94,887	12%	191,584	21%	96,697	102%
Total	1,497,577	100%	1,682,585	100%	185,008	12%	782,225	100%	893,889	100%	111,664	14%
Hispanic (all races)	307,113	21%	404,012	24%	96,899	32%	204,012	26%	269,908	30%	65,896	32%
Non-Hispanic (all races)	1,190,464	79%	1,278,573	76%	88,109	7%	578,213	74%	623,981	70%	45,768	8%
Total	1,497,577	100%	1,682,585	100%	185,008	12%	782,225	100%	893,889	100%	111,664	14%

(1) Asian Race category for 2000 includes Asian and Native Hawaiian/ Pacific Islander Race categories.

(2) Other Race category for 2000 includes Other Race and Two or More Races.

Sources: Census 1990, Census 2000, and Economic & Planning Systems, Inc.

- **Other Race.** There were about 290,000 persons, 17 percent of County population, who are of two or more races or who do not fall into one of the other categories. This represented an increase of about 150,000 persons, more than double the 1990 levels. This increase is, in part, due to the changing accounting methods in 2000 that incorporated individuals of two or races with other races, rather than leaving them to choose one race or another.
- **White.** There were about 900,000 persons, 54 percent of the County, who identified themselves as white. This was 132,000 fewer persons than in 1990, likely in part due to a shift of some persons from the white category in 1990 to two or more races in 2000.
- **Black.** There were about 45,000 persons, 3 percent of the County, who identified themselves as black. This was 10,000 fewer persons than in 1990, likely in part due to a shift of some persons from the black category in 1990 to two or more races in 2000.
- **American Indian.** The American Indian population was 11,200 persons in 2000, 1 percent of County population. This represents an increase of 2,000 persons during the 1990s.
- **Asian.** The Asian population represented 435,000 persons in 2000, over 25 percent of County population. The Asian population increased by about 175,000 persons between 1990 and 2000, the highest absolute and percentage increase of all the races.

In 2000, about one-quarter of the County's population identified themselves as Hispanic, an increase of 97,000 persons during the 1990s.

Income

Census data on household incomes in 1990 and 2000 (both in 2000 dollar terms) are shown in **Table 2.5** and described below. About 85 percent of the net increase in households over this period was in the \$100,000 and over income category. The median household income in the County in 2004 is about \$105,000.¹

- **\$150,000 plus.** In 2000, about 100,000 households, about 18 percent of County households, had annual incomes of over \$150,000. This represented an increase of 47,500 households during the 1990s, close to a doubling of the number of households with incomes in this range.
- **\$100,000 to \$150,000.** In 2000, about 110,000 households, about 19 percent of County households, had annual incomes of between \$100,000 and \$150,000. This represented an increase of 15,000 households during the 1990s, an increase of about 16 percent.

¹ Based on the 2000 Census estimate of \$95,000 and inflated into 2004 dollar terms.

Table 2.5
Household Income Distribution, 1990 and 2000 (2000 dollars)
Coyote Valley Specific Plan Market Analysis

Households by Income Category (1)	Santa Clara County						San Jose					
	1990		2000		1990-2000		1990		2000		1990-2000	
	HHs	% Total	HHs	% Total	#	% Change	HHs	% Total	HHs	% Total	#	% Change
\$24,999 and less	71,010	14%	72,003	13%	992	1%	36,594	15%	37,351	14%	757	2%
\$25,000 to \$34,999	38,242	7%	37,000	7%	(1,243)	-3%	19,507	8%	19,081	7%	(426)	-2%
\$35,000 to \$49,999	67,072	13%	60,659	11%	(6,413)	-10%	33,056	13%	31,387	11%	(1,669)	-5%
\$50,000 to \$74,999	110,992	21%	102,059	18%	(8,933)	-8%	55,719	22%	53,092	19%	(2,627)	-5%
\$75,000 to \$99,999	86,654	17%	84,130	15%	(2,524)	-3%	43,758	17%	42,967	16%	(790)	-2%
\$100,000 to \$149,999	94,794	18%	109,852	19%	15,058	16%	44,863	18%	53,844	19%	8,980	20%
\$150,000 and over	53,275	10%	100,783	18%	47,508	89%	17,554	7%	38,687	14%	21,133	120%
Total	522,040	100%	566,485	100%	44,445	9%	251,050	100%	276,408	100%	25,358	10%

Sources: Census 1990, Census 2000, BLS, and Economic & Planning Systems, Inc.

- **\$75,000 to \$100,000.** In 2000, about 84,000 households, about 15 percent, had annual incomes of between \$75,000 and \$100,000. This represented a slight decline in the number of households in this range relative to 1990.
- **\$50,000 to \$75,000.** In 2000, about 100,000 households, about 18 percent, had annual incomes of between \$50,000 and \$75,000. This represented a decline of 9,000, or eight percent, of households in this income range.
- **\$25,000 to \$50,000.** In 2000, about 98,000 households, about 18 percent, had annual incomes of between \$25,000 and \$50,000. This represented a decline of 7,600 households in this income range during the 1990s.
- **\$0 to \$25,000.** In 2000, about 72,000 households, about 13 percent, had annual incomes of less than \$25,000. This represented a 1 percent increase in the number of households in this income range, about 1,000 households.

Income by Age

As noted above, in 2000 in Santa Clara County, about 18 percent of all households have incomes over \$150,000, 19 percent between \$100,00 and \$150,000, 33 percent between \$50,000 and \$100,000, and 31 percent less than \$50,000. The income distribution varies by age group as shown below (see **Table 2.6**).

- **65 plus.** The older segment of the war and pre-war generation, now retired, has the lowest incomes of the over-25 households, with about 15 percent receiving incomes of over \$100,000. Incomes are significantly lower for those over 75 years, with 40 percent of these households earning less than \$25,000 annually. Many households over 65 years live on investments and savings, rather than annual incomes.
- **55 to 64 years.** These households, the young members of the war/ inter-war generation, have an income distribution consistent with the average, with 39 percent of households earning more than \$100,000 each year.
- **35 to 54 years.** These households, the baby boom generation, have the most affluent income distribution with 43 percent of households earning more than \$100,000 each year. Households in the 45- to 54-year range have only a slightly higher income distribution than their younger counterparts.
- **25 to 34 years.** These households, primarily Generation X, have a more modest income distribution, although they still have 31 percent of households earning more than \$100,000 each year. This group experienced the largest proportionate increase in affluent households of those in the 25- to 65-year age range.
- **Under 25 years.** These households, primarily members of the Echo Boom generation and who are living independently, are at the start of their careers and have lower incomes, with 11 percent of households earning more than \$100,000 each year.

Table 2.6
Trends in Income Distribution in Nominal Dollars (1990-2000)
Coyote Valley Specific Plan Market Analysis

Households by Income Category	Santa Clara County					
	1990		2000		1990-2000	
	HHs	% Total	HHs	% Total	#	% Change
<i>Under 25 years:</i>						
Less than \$24,999	10,303	44%	5,437	31%	-4,866	-47%
\$25,000 to \$34,999	4,063	17%	2,217	13%	-1,846	-45%
\$35,000 to \$49,999	4,732	20%	2,838	16%	-1,894	-40%
\$50,000 to \$74,999	2,835	12%	3,603	20%	768	27%
\$75,000 to \$99,999	845	4%	1,709	10%	864	102%
\$100,000 or more	445	2%	1,932	11%	1,487	334%
TOTAL	23,223	100%	17,736	100%	-5,487	-24%
<i>25 to 34 years:</i>						
Less than \$24,999	24,308	18%	11,905	10%	-12,403	-51%
\$25,000 to \$34,999	19,562	14%	7,841	7%	-11,721	-60%
\$35,000 to \$49,999	30,499	23%	14,075	12%	-16,424	-54%
\$50,000 to \$74,999	36,769	27%	25,117	22%	-11,652	-32%
\$75,000 to \$99,999	14,984	11%	20,848	18%	5,864	39%
\$100,000 or more	9,322	7%	35,569	31%	26,247	282%
TOTAL	135,444	100%	115,355	100%	-20,089	-15%
<i>35 to 44 years:</i>						
Less than \$24,999	16,666	13%	12,029	8%	-4,637	-28%
\$25,000 to \$34,999	14,042	11%	8,147	5%	-5,895	-42%
\$35,000 to \$49,999	24,355	19%	15,005	10%	-9,350	-38%
\$50,000 to \$74,999	35,776	28%	27,519	18%	-8,257	-23%
\$75,000 to \$99,999	19,788	15%	24,852	16%	5,064	26%
\$100,000 or more	18,089	14%	64,054	42%	45,965	254%
TOTAL	128,716	100%	151,606	100%	22,890	18%
<i>45 to 54 years:</i>						
Less than \$24,999	10,698	11%	9,687	8%	-1,011	-9%
\$25,000 to \$34,999	8,117	9%	5,557	5%	-2,560	-32%
\$35,000 to \$49,999	14,539	16%	10,827	9%	-3,712	-26%
\$50,000 to \$74,999	24,402	26%	21,397	18%	-3,005	-12%
\$75,000 to \$99,999	17,272	18%	18,327	16%	1,055	6%
\$100,000 or more	18,404	20%	51,359	44%	32,955	179%
TOTAL	93,432	100%	117,154	100%	23,722	25%
<i>55 to 64 years:</i>						
Less than \$24,999	11,851	18%	8,050	11%	-3,801	-32%
\$25,000 to \$34,999	7,401	11%	4,475	6%	-2,926	-40%
\$35,000 to \$49,999	10,811	17%	7,924	11%	-2,887	-27%
\$50,000 to \$74,999	15,198	24%	14,049	19%	-1,149	-8%
\$75,000 to \$99,999	9,734	15%	10,900	15%	1,166	12%
\$100,000 or more	9,607	15%	28,996	39%	19,389	202%
TOTAL	64,602	100%	74,394	100%	9,792	15%
<i>65 to 74 years:</i>						
Less than \$24,999	19,210	41%	12,037	25%	-7,173	-37%
\$25,000 to \$34,999	7,177	15%	5,269	11%	-1,908	-27%
\$35,000 to \$49,999	7,381	16%	7,069	15%	-312	-4%
\$50,000 to \$74,999	7,214	15%	9,019	19%	1,805	25%
\$75,000 to \$99,999	2,996	6%	5,412	11%	2,416	81%
\$100,000 or more	2,707	6%	9,389	19%	6,682	247%
TOTAL	46,685	100%	48,195	100%	1,510	3%
<i>75 years and over:</i>						
Less than \$24,999	18,595	62%	16,711	40%	-1,884	-10%
\$25,000 to \$34,999	3,808	13%	5,911	14%	2,103	55%
\$35,000 to \$49,999	3,197	11%	5,693	14%	2,496	78%
\$50,000 to \$74,999	2,398	8%	5,832	14%	3,434	143%
\$75,000 to \$99,999	1,005	3%	3,115	7%	2,110	210%
\$100,000 or more	935	3%	4,783	11%	3,848	412%
TOTAL	29,938	100%	42,045	100%	12,107	40%

Sources: Census 1990, Census 2000, and Economic and Planning Systems, Inc.

Table 2.6 (continued)
Trends in Income Distribution in Nominal Dollars (1990-2000)
Coyote Valley Specific Plan Market Analysis

Households by Income Category	San Jose					
	1990		2000		1990-2000	
	HHS	% Total	HHS	% Total	#	% Change
<i>Under 25 years:</i>						
Less than \$24,999	5,086	44%	2,831	31%	-2,255	-44%
\$25,000 to \$34,999	2,054	18%	1,177	13%	-877	-43%
\$35,000 to \$49,999	2,405	21%	1,498	16%	-907	-38%
\$50,000 to \$74,999	1,384	12%	1,921	21%	537	39%
\$75,000 to \$99,999	378	3%	803	9%	425	112%
\$100,000 or more	204	2%	876	10%	672	329%
TOTAL	11,511	100%	9,106	100%	-2,405	-21%
<i>25 to 34 years:</i>						
Less than \$24,999	12,901	19%	6,546	12%	-6,355	-49%
\$25,000 to \$34,999	9,580	14%	4,255	7%	-5,325	-56%
\$35,000 to \$49,999	15,485	23%	7,375	13%	-8,110	-52%
\$50,000 to \$74,999	18,967	28%	12,418	22%	-6,549	-35%
\$75,000 to \$99,999	7,033	10%	9,968	18%	2,935	42%
\$100,000 or more	3,659	5%	16,265	29%	12,606	345%
TOTAL	67,625	100%	56,827	100%	-10,798	-16%
<i>35 to 44 years:</i>						
Less than \$24,999	9,313	14%	6,813	9%	-2,500	-27%
\$25,000 to \$34,999	7,673	12%	4,650	6%	-3,023	-39%
\$35,000 to \$49,999	12,767	20%	8,171	11%	-4,596	-36%
\$50,000 to \$74,999	19,063	29%	15,521	20%	-3,542	-19%
\$75,000 to \$99,999	9,845	15%	13,447	17%	3,602	37%
\$100,000 or more	6,197	10%	28,533	37%	22,336	360%
TOTAL	64,858	100%	77,135	100%	12,277	19%
<i>45 to 54 years:</i>						
Less than \$24,999	6,087	13%	5,416	9%	-671	-11%
\$25,000 to \$34,999	4,254	9%	2,998	5%	-1,256	-30%
\$35,000 to \$49,999	7,897	17%	6,060	10%	-1,837	-23%
\$50,000 to \$74,999	13,052	28%	11,700	20%	-1,352	-10%
\$75,000 to \$99,999	8,568	19%	9,821	17%	1,253	15%
\$100,000 or more	5,943	13%	22,338	38%	16,395	276%
TOTAL	45,801	100%	58,333	100%	12,532	27%
<i>55 to 64 years:</i>						
Less than \$24,999	6,375	22%	4,359	12%	-2,016	-32%
\$25,000 to \$34,999	3,513	12%	2,348	6%	-1,165	-33%
\$35,000 to \$49,999	5,087	17%	4,066	11%	-1,021	-20%
\$50,000 to \$74,999	7,030	24%	7,640	21%	610	9%
\$75,000 to \$99,999	4,239	14%	5,771	16%	1,532	36%
\$100,000 or more	3,021	10%	12,185	34%	9,164	303%
TOTAL	29,265	100%	36,369	100%	7,104	24%
<i>65 to 74 years:</i>						
Less than \$24,999	8,982	46%	6,145	28%	-2,837	-32%
\$25,000 to \$34,999	2,962	15%	2,334	11%	-628	-21%
\$35,000 to \$49,999	3,054	16%	3,220	15%	166	5%
\$50,000 to \$74,999	2,592	13%	3,987	18%	1,395	54%
\$75,000 to \$99,999	1,022	5%	2,349	11%	1,327	130%
\$100,000 or more	741	4%	3,552	16%		
TOTAL	19,353	100%	21,587	100%	2,234	12%
<i>75 years and over:</i>						
Less than \$24,999	8,523	67%	7,274	43%	-1,249	-15%
\$25,000 to \$34,999	1,594	13%	2,523	15%	929	58%
\$35,000 to \$49,999	1,125	9%	2,434	14%	1,309	116%
\$50,000 to \$74,999	756	6%	2,266	13%	1,510	200%
\$75,000 to \$99,999	353	3%	1,178	7%	825	234%
\$100,000 or more	286	2%	1,376	8%	1,090	381%
TOTAL	12,637	100%	17,051	100%	4,414	35%

Sources: Census 1990, Census 2000, and Economic and Planning Systems, Inc.

Income by Household Size

The income distribution also varies by number of persons in each household, as shown in **Table 2.7**. The income jump from one- to two-person households is significantly greater than from two- to more-than-two-person households.

- **One-person households.** In 2000, only 12 percent of one-person households had incomes over \$100,000, well below the average of 37 percent across all household sizes. An additional 11 percent had incomes over \$75,000.
- **Two-person households.** In 2000, about 37 percent of two-person households had incomes over \$100,000 and another 16 percent had incomes between \$75,000 and \$100,000.
- **Three-person households.** In 2000, about 42 percent of three-person households had incomes over \$100,000 and another 16 percent had incomes between \$75,000 and \$100,000.
- **Four-plus person households.** In 2000, about 44 percent of three-person households had incomes over \$100,000 and another 17 percent had incomes between \$75,000 and \$100,000.

PROJECTED GROWTH

POPULATION AND HOUSEHOLD PROJECTIONS

Despite the uncertainty over the future economic drivers of Silicon Valley, the number of residents and households is projected to grow steadily beyond 2005. As shown in **Table 2.8**, growth projections for Santa Clara County and San Jose differ between the Association of Bay Area Government's (ABAG) 2002 and 2003 projection reports: Projections 2002 is based on the standard ABAG projections methodology, while Projections 2003 is based on the presumed adoption of "Smart Growth" policies aimed at increasing the levels of infill development in existing urbanized areas. San Jose's urbanized nature means that under the 2003 projections approach, it receives a greater share of future population and households. Both sets of projections represent an amalgamation of projected demand and assumptions concerning available supply. Household interest is likely higher than these projections, especially in Santa Clara County and San Jose, but will be constrained by housing supply and the associated increase in housing prices.

Table 2.7
Household Income Distribution by Household Size (2000)
Coyote Valley Specific Plan Market Analysis

Households by Income Category	Santa Clara County							
	1-Person Household		2-Person Household		3-Person Household		4+ -Person Household	
	HHs	% Total	HHs	% Total	HHs	% Total	HHs	% Total
Less than \$24,999	36,850	30%	17,615	10%	8,235	9%	13,155	7%
\$25,000 to \$34,999	14,235	12%	11,500	7%	5,130	5%	8,560	5%
\$35,000 to \$49,999	18,385	15%	19,330	11%	9,290	10%	16,435	9%
\$50,000 to \$74,999	24,235	20%	32,425	19%	17,455	18%	32,425	18%
\$75,000 to \$99,999	12,740	11%	27,000	16%	15,025	16%	30,400	17%
\$100,000 or more	14,470	12%	62,465	37%	40,365	42%	78,785	44%
TOTAL	120,915	100%	170,335	100%	95,500	100%	179,760	100%

Sources: Census 2000 and Economic and Planning Systems, Inc.

Table 2.7 (continued)
Household Income Distribution by Household Size (2000)
Coyote Valley Specific Plan Market Analysis

Households by Income Category	San Jose							
	1-Person Household		2-Person Household		3-Person Household		4+ -Person Household	
	HHs	% Total	HHs	% Total	HHs	% Total	HHs	% Total
Less than \$24,999	16,900	33%	9,135	12%	4,670	10%	8,670	8%
\$25,000 to \$34,999	6,195	12%	5,765	8%	2,950	6%	5,365	5%
\$35,000 to \$49,999	7,895	16%	9,360	12%	5,045	11%	10,520	10%
\$50,000 to \$74,999	9,885	20%	15,515	21%	9,780	21%	20,260	20%
\$75,000 to \$99,999	4,665	9%	12,410	16%	7,490	16%	18,775	18%
\$100,000 or more	<u>4,915</u>	<u>10%</u>	<u>23,120</u>	<u>31%</u>	<u>17,630</u>	<u>37%</u>	<u>39,460</u>	<u>38%</u>
TOTAL	50,455	100%	75,305	100%	47,565	100%	103,050	100%

Sources: Census 2000 and Economic and Planning Systems, Inc.

Table 2.8
Population and Household Growth Projections (2005-2030)
Coyote Valley Specific Plan Market Analysis

Area	2005	2010	2015	2020	2025	2005-2025			
						Change		Percent	
						20 Year	Avg. Ann.	20 Year	Avg. Ann.
Population									
San Jose, 2002 Projections	956,800	1,010,700	1,044,300	1,069,200	1,096,200	139,400	6,970	15%	0.7%
San Jose, 2003 Projections	<u>956,300</u>	<u>1,013,900</u>	<u>1,072,400</u>	<u>1,147,800</u>	<u>1,208,400</u>	252,100	12,605	26%	1.2%
Difference	500	-3,200	-28,100	-78,600	-112,200				
Santa Clara County, 2002 Proj.	1,788,300	1,879,700	1,949,500	2,007,500	2,064,200	275,900	13,795	15%	0.7%
Santa Clara County, 2003 Proj.	<u>1,788,300</u>	<u>1,887,400</u>	<u>1,977,700</u>	<u>2,089,400</u>	<u>2,175,800</u>	387,500	19,375	22%	1.0%
Difference	0	-7,700	-28,200	-81,900	-111,600				
Households									
San Jose, 2002 Projections	294,450	312,110	325,140	334,700	344,110	49,660	2,483	17%	0.8%
San Jose, 2003 Projections	<u>294,160</u>	<u>312,150</u>	<u>332,020</u>	<u>357,430</u>	<u>377,620</u>	83,460	4,173	28%	1.3%
Difference	290	-40	-6,880	-22,730	-33,510				
Santa Clara County, 2002 Proj.	596,760	626,730	652,470	674,410	695,170	98,410	4,921	16%	0.8%
Santa Clara County, 2003 Proj.	<u>596,760</u>	<u>629,360</u>	<u>662,090</u>	<u>702,370</u>	<u>733,350</u>	136,590	6,830	23%	1.0%
Difference	0	-2,630	-9,620	-27,960	-38,180				
Persons per Household									
San Jose, 2002 Projections	3.25	3.24	3.21	3.19	3.19	-	-	-	-
San Jose, 2003 Projections	3.25	3.25	3.23	3.21	3.20	-	-	-	-
Santa Clara County, 2002 Proj.	3.00	3.00	2.99	2.98	2.97	-	-	-	-
Santa Clara County, 2003 Proj.	3.00	3.00	2.99	2.97	2.97	-	-	-	-

Sources: ABAG Projections 2002, ABAG Projections 2003, and Economic & Planning Systems, Inc.

Santa Clara County

Population

ABAG Projections 2002 projects the addition of approximately 276,000 new County residents by 2025 at an average annual rate of 14,000 residents over the 20-year period. ABAG Projections 2003 projects an increase of 388,000 new County residents by 2025 at an average annual rate of over 19,000 residents over the 20-year period. The median of the two sets of projections is the addition of 16,500 new persons each year, a little below the historical average.

Households

ABAG Projections 2002 projects a growth of 98,000 new households in the County, at an average growth rate of 5,000 new households each year over the 20 year period. ABAG Projections 2003 projects a growth of 137,000 new households in the County, at an average growth rate of nearly 7,000 new households each year. The median of the two sets of projections is the addition of 6,000 new households each year, above the historical average. The new households are projected to have smaller household sizes.

San Jose

Population

Under ABAG 2002 Projections, the City of San Jose is expected to accommodate 140,000 new residents by 2025, 7,000 persons each year and 51 percent of the new growth projected for the County. Under ABAG 2003 Projections, San Jose is expected to accommodate the addition of 252,000 new residents by 2025, 12,600 persons each year and 65 percent of the County's projected population growth. The 2003 projections are 40 percent higher than the 2002 projections for Santa Clara County level and 81 percent higher for the City of San Jose. The median of the two projections is a growth of 9,800 persons each year, a little below the historical average.

Households

Under ABAG 2002 projections, San Jose is expected to accommodate nearly 50,000 of the new households, about 2,500 households each year and a 50 percent share of projected County growth. Under ABAG Projections 2003, San Jose is expected to accommodate 83,000 new households, an average growth rate of 4,000 new households each year and 61 percent of projected County growth. Projections 2003 County household growth projection exceeds 2002 Projections by 40 percent and the City Projections 2003 household growth exceeds the 2002 projections by 68 percent. The median of the two projections is a growth of 3,250 households each year, above the historical average.

PROJECTED DEMOGRAPHIC PROFILE

Age

The population of Santa Clara County will continue its current aging trend and the growth of the 65-years-and-over age category is expected to outpace the growth of persons in all other age groups over the next 25 years, according to the California Department of Finance Official State Projections. As shown in **Table 2.9**, the number of persons in the 65 years and over age group is expected to grow by over 300,000 persons by 2030, which is a 180 percent increase from 2000 levels. In contrast, the number of persons in the 35- to 54-year age group is expected to decline by over 100,000 persons, or 18 percent from 2000 levels. By 2030, the overall County population will be nearly evenly split between the nonworking and working populations.

Income

The populations of Santa Clara County and the City of San Jose will continue their increasing income trend over the next 25 years, according to ABAG Projections 2003. As shown in **Table 2.10** (in constant 2003 dollars), the median incomes of County and City households are expected to increase by an average annual rate of 1 percent over the next 25 years in real terms. By 2030, the median household income in the County is expected to reach \$146,700, a 28 percent real increase over 2005 estimates. In San Jose, the median household income is expected to reach \$130,250, which is a 29 percent real increase over 2005 estimates. Actual income growth will be closely tied to business cycles and economic growth rates experienced in Silicon Valley.

Household Size

ABAG Projections 2002 projects a gradual reduction in average household size over the next 20 years from the 2005 average of 3.0 persons per household in the County and 3.25 persons per household in the City to 2025 averages of 2.97 persons per household in the County and 3.2 persons per household in the City. No formal projections on the distribution of households by household size are available. It is likely, however, that the number of one- and two-person households will, at a minimum, maintain its 50 percent share of total households, and more likely increase as a proportion. The increasing proportion of persons over 65 years, the reducing number of persons between 35 and 54 years, and the likely continued trend towards alternative lifestyles are likely to increase the number of smaller households.

Table 2.9
Population Growth Trends by Age Cohort, Santa Clara County (2000-2030)
Coyote Valley Specific Plan Market Analysis

Age Group	2000		2010		2020		2030		2000-2030			
	Persons	% Total	Persons	% Total	Persons	% Total	Persons	% Total	Change		Percent	
									30 Year	Avg. Ann.	30 Year	Avg. Ann.
19 and under	481,967	28%	494,493	27%	485,232	25%	525,875	25%	43,908	1,464	9%	0.29%
20 to 34	333,847	20%	323,854	18%	384,518	20%	363,073	18%	29,226	974	9%	0.28%
35 to 54	559,008	33%	554,218	30%	440,763	23%	457,710	22%	-101,298	-3,377	-18%	-0.66%
55 to 64	150,591	9%	227,488	12%	299,414	15%	226,754	11%	76,163	2,539	51%	1.37%
65 and over	175,523	10%	239,643	13%	348,676	18%	490,651	24%	315,128	10,504	180%	3.49%
Total	1,700,936	100%	1,839,696	100%	1,958,603	100%	2,064,063	100%	363,127	12,104	21%	0.65%
Non-working Population	657,490	39%	734,136	40%	833,908	43%	1,016,526	49%	359,036	11,968	55%	1.46%
Working Population	1,043,446	61%	1,105,560	60%	1,124,695	57%	1,047,537	51%	4,091	136	0.4%	0.01%
Total	1,700,936	100%	1,839,696	100%	1,958,603	100%	2,064,063	100%	363,127	12,104	21%	0.65%

Sources: California Department of Finance Official State Projections and Economic & Planning Systems, Inc.

Table 2.10
Projected Median Income Growth (2005-2030, in Constant 2003 Dollars)
Coyote Valley Specific Plan Market Analysis

Area	2005	2010	2020	2030	Change, 2005-2030		
					Amount	Percent	Avg. Ann.
San Jose	\$100,598	\$105,284	\$117,491	\$130,243	\$29,645	29%	1.04%
Santa Clara County	\$114,766	\$120,543	\$133,077	\$146,701	\$31,934	28%	0.99%
Bay Area	\$100,816	\$105,829	\$116,837	\$128,826	\$28,010	28%	0.99%

Sources: ABAG *Projections 2003*, BLS, and Economic & Planning Systems, Inc.

III. RECENT TRENDS IN HOUSING DEVELOPMENT

Between 1990 and 2003, the Bay Area experienced a full economic cycle. The early 1990s saw the dampening of the growth of late 1980s and was followed by a gradual recovery that culminated in an economic boom between 1996 and 2000. The early 2000s then saw the start of an economic recession that has been followed by a tentative recovery. As a frontrunner in the technology, venture capital, and entrepreneurship realm, the Bay Area experienced greater highs and lows than most regions. This economic growth was experienced through a rapid increase in employment, starting in Silicon Valley and San Francisco and spilling out in numerous other Bay Area cities. The economic boom brought with it a significant increase in population, households, wealth, and income, translating directly into an increased demand and need for housing. While significant levels of new housing were provided, supply did not keep pace with demand, both driving up housing prices and pushing many persons employed in the Bay Area into living in adjacent counties and communities, including the Counties of San Joaquin, Stanislaus, San Benito, and Monterey.

A broad range of housing has been constructed in Santa Clara County and the City of San Jose since 1990. Single-family detached development, for-sale single-family attached development in the form of townhomes, and large apartment developments have dominated the landscape. The development of attached product has been hampered by liability and insurance issues. Condominiums and lofts have appeared, though in relatively short supply, and only a few projects have moved into the midrise/ high-rise development forms. Much of the development of new, higher-density residential products has occurred in the County's downtowns as well as along transit corridors. In more recent years, as the availability of single-family lots has diminished, for-sale attached product and apartment development are increasing as a proportion of housing development. In addition, a new hybrid of very small lot single-family development that resembles a detached townhome has emerged.

HOUSING CONSTRUCTION SINCE 1990

DEVELOPMENT BY PRODUCT TYPE

In 1990, the 260,000 housing units in the City of San Jose represented roughly 48 percent of housing in the County and 11 percent of the San Francisco Bay Area housing stock. About 58 percent of San Jose's housing units were single-family detached units; 10 percent were in single-family attached units (primarily townhomes); 8 percent were in duplexes, triplexes, and fourplexes; 20 percent were in multifamily buildings with over 5 units, and the remainder was mobile homes (see **Table 3.1**). About 4 percent of units were in buildings with over 50 units. By 2003, 32,850 new units had been constructed in San Jose, an annual growth of 2,500 units each year and nearly 13 percent

Table 3.1
Historical Housing Development
Coyote Valley Specific Plan Market Analysis

Unit Type	Santa Clara County						San Jose					
	1990	2003	% of Total	New Units	1990-2003		1990	2003	% of Total	New Units	1990-2003	
					New Units	% of Tot. per Ann.					New Units	% of Tot. per Ann.
Single-family Detached	303,212	329,224	56%	26,012	2,001	47%	150,203	164,542	58%	14,339	1,103	44%
Single-family Attached	47,668	53,051	9%	5,383	414	10%	24,728	27,573	10%	2,845	219	9%
Multifamily 2-4 units	42,096	46,753	8%	4,657	358	8%	20,704	23,262	8%	2,558	197	8%
Multifamily 5+ units	126,338	147,197	23%	20,859	1,605	37%	51,980	65,463	20%	13,483	1,037	41%
Mobile Homes	<u>20,926</u>	<u>19,654</u>	<u>4%</u>	<u>-1,272</u>	<u>-98</u>	<u>-2%</u>	<u>11,743</u>	<u>11,024</u>	<u>5%</u>	<u>-719</u>	<u>-55</u>	<u>-2%</u>
TOTAL HOUSING UNITS	540,240	595,879	100%	55,639	4,280	100%	259,358	291,864	100%	32,506	2,500	100%

Sources: California Department of Finance; Economic & Planning Systems, Inc.

over the period. The County and San Francisco Bay Area as a whole both showed slightly lower growth rates of 10.5 and 11 percent, respectively. The total number of units in the City was about 292,000 in 2003.

Between 1990 and 2003, development showed a new pattern. Of the 32,500 new units constructed, 13,500 units, or 41 percent, were in multifamily buildings with over 5 units, more than twice its share of historical growth—an average of about 1,000 units each year.² At the same time, the share of single-family detached units fell to 44 percent. Other product types showed less change; the proportion of single-family attached construction and smaller multifamily building construction remained relatively consistent with past levels (see **Table 3.1**). The City describes about half of this growth, about 16,000 units, as “smart growth”, defined as having higher-than-average densities and being located either in San Jose’s Downtown or along transit corridors.

Census data from 1990 and 2000 on multi-unit buildings reveal an even starker shift in development patterns in the City as well as the accelerating decline in the rate of single-family housing production in recent years. As shown in **Table 3.2**, the increase in 5-plus unit buildings was driven by a large increase in the number of 50-plus unit buildings, with these buildings representing 43 percent of the housing growth between 1990 and 2000, about 9,600 units—an average of about 960 units each year. In contrast, the number of units in buildings with between 10 and 49 units actually declined by over 2,300 units as sites were redeveloped to accommodate larger buildings. Over this same period, single-family detached development maintained a strong share of development, at about 55 percent of new units. Between 2000 and 2003, however, the rate of single-family development dropped significantly, representing less than 20 percent of new development between 2000 and 2003.

PERMITTING ACTIVITY

New housing construction follows permit applications with a time lag. Between the start of 1990 and the end of 2002, over 39,000 residential construction permits were issued. While fluctuations occurred in the split between single-family and multifamily each year, on average, multifamily permits were in the clear majority: about 24,000, 62 percent of all permits, were for multifamily residences and 15,000, 38 percent, were for single-family units. No drop off in permit issuance has occurred since the downturn: 2001 and 2002 both saw an annual average of 3,000 units each year. These last years have, however, shown an even more skewed distribution with about 80 percent of permits for multifamily development and the lowest number of single-family permits since 1990 (see **Table 3.3**).

² Multifamily developments include apartment and condominium projects.

Table 3.2
Trends in Residential Development by Number of Units in Structure
Coyote Valley Specific Plan Market Analysis

Unit Type	Santa Clara County				1990-2000		San Jose				1990-2000	
	1990 housing units	% of total	2000 housing units	% of total	# housing units	% of total	1990 housing units	% of total	2000 housing units	% of total	# housing units	% of total
1 unit, detached	302,515	56%	323,923	56%	21,408	55%	149,591	58%	161,962	57%	12,371	55%
1 unit, attached	48,114	9%	52,736	9%	4,622	12%	24,933	10%	27,560	10%	2,627	12%
2 units	10,299	2%	11,112	2%	813	2%	5,232	2%	5,751	2%	519	2%
3 or 4 units	31,804	6%	35,259	6%	3,455	9%	15,612	6%	17,403	6%	1,791	8%
5 to 9 units	28,725	5%	31,041	5%	2,316	6%	12,278	5%	13,525	5%	1,247	6%
10 to 19 units	30,669	6%	28,441	5%	(2,228)	-6%	14,528	6%	12,922	5%	(1,606)	-7%
20 to 49 units	31,717	6%	27,679	5%	(4,038)	-10%	12,210	5%	11,443	4%	(767)	-3%
50 or more	30,609	6%	49,467	9%	18,858	48%	10,508	4%	20,121	7%	9,613	43%
Mobile Homes	20,899	4%	19,102	3%	(1,797)	-5%	11,914	5%	10,658	4%	(1,256)	-6%
Other	<u>4,889</u>	<u>1%</u>	<u>569</u>	<u>0%</u>	<u>(4,320)</u>	<u>-11%</u>	<u>2,524</u>	<u>1%</u>	<u>361</u>	<u>0%</u>	<u>(2,163)</u>	<u>-10%</u>
TOTAL	540,240	100%	579,329	100%	39,089	100%	259,330	100%	281,706	100%	22,376	100%

Sources: Census 1990 and Census 2000; Economic & Planning Systems, Inc.

Table 3.3
City of San Jose New Residential Construction Permits (units), 1990-2002
Coyote Valley Specific Plan Market Analysis

Item	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Total	% of Tot.	Avg. Ann.		
																1990-2002	1990-2000	2000-2002
San Jose																		
Single-family (1)	283	636	895	776	902	830	2,240	2,332	1,975	1,599	1,328	551	562	14,909	38%	1,147	1,254	557
Multifamily (2)	1,780	1,404	554	1,536	1,118	1,081	1,892	2,040	2,888	2,016	3,131	2,928	1,902	24,270	62%	1,867	1,767	2,415
Total	2,063	2,040	1,449	2,312	2,020	1,911	4,132	4,372	4,863	3,615	4,459	3,479	2,464	39,179	100%	3,014	3,021	2,972
Multifamily as % of Total	86%	69%	38%	66%	55%	57%	46%	47%	59%	56%	70%	84%	77%	62%		62%	58%	81%
Santa Clara County																		
Single-family (1)	1,675	1,663	1,693	1,822	2,127	2,199	4,042	4,367	3,911	3,333	2,834	1,641	2,057	33,364	47%	2,566	2,697	1,849
Multifamily (2)	3,646	2,102	1,143	1,617	1,827	1,285	3,459	4,443	3,615	3,677	4,220	4,319	2,456	37,809	53%	2,908	2,821	3,388
Total	5,321	3,765	2,836	3,439	3,954	3,484	7,501	8,810	7,526	7,010	7,054	5,960	4,513	71,173	100%	5,475	5,518	5,237
Multifamily as % of Total	69%	56%	40%	47%	46%	37%	46%	50%	48%	52%	60%	72%	54%	53%		53%	51%	65%
San Jose as a Percent of Santa Clara County	39%	54%	51%	67%	51%	55%	55%	50%	65%	52%	63%	58%	55%	55%				

(1) Single-family refers to detached, semi-detached, rowhouse, and townhouse units. Rowhouse and townhouse units are included when each unit is separated from adjacent unit by an unbroken ground-to-roof party or fire wall. Condominiums are included in the single-family category when they are of zero-lot-line or zero-property-line construction; when units are separated by an air space; or, when units are separate by an unbroken ground-to-roof party of fire wall.

(2) Multifamily includes duplexes, 3-4-unit structures, and apartment-type structures with five units or more. Multifamily housing also includes condominium units in structures of more than one living unit that do not meet the above single-family housing definition.

Sources: RAND Corporation; Construction Industry Research Board; Economic & Planning Systems, Inc.

FOR-SALE PRODUCT PERFORMANCE

PERFORMANCE TRENDS/ NEW PRODUCT SUMMARY

For-sale housing includes single-family detached dwellings as well as higher-density housing, such as townhomes, lofts, and condominiums. As mentioned above, larger multifamily developments, including apartments and to a lesser extent condominiums, became increasingly significant as a proportion of overall development between 1990 and 2003. At the same time, single-family detached housing experienced a decline in its share of overall development, especially in the period after 2000. Hidden within this general trend are significant fluctuations in the types of for-sale housing produced.

Appendix A presents annual sales by housing type for Santa Clara County between 1990 and the present.

Between 1990 and 2003, in Santa Clara County, single-family detached development was produced at an average rate of about 1,500 units each year, while other for-sale product (attached product including townhomes, condominiums, and lofts) was developed at an average rate of 800 unit each year. From 1991 through 1995, for-sale attached product was developed at a similar pace to single-family detached product in the County at about 1,000 units each year. However, by 1996, the economic boom and the accompanying surge in incomes and wealth saw a shift in focus among for-sale product to single-family detached, in particular, large-lot, large-sized, high-priced developments. The demand was strong, the returns high, and the insurance/ liability issues were small relative to attached product. Between 1996 and 1999, single-family detached product was produced at twice the levels of the early 1990's, about 2,000 units each year, while attached sales decreased to about 500 units each year.

The following years, 2000 and 2001, saw the end of the economic boom, and a commensurate reduction in housing production, with single-family detached production falling significantly and single-family attached production falling yet further. In the last three years, however, development levels rebounded in the County, with single-family attached development becoming an increasing proportion of for-sale development. Early 2004 data point to a record high for attached development product, higher than single-family detached development.

Table 3.4 shows the pricing and absorption of active single-family attached product types in Santa Clara County. Of the 19 active projects, one is a condominium project, one is a loft project, three have a mix of product types, and the remaining 14 are townhome projects. The density of the townhome projects is in the range of 12 to 24 units per acre, while the loft, condominium, and mixed-product projects have densities of between 25 to 40 units per acre.

Table 3.4
New For-Sale Townhome, Condominium, and Loft Projects in Santa Clara County
Coyote Valley Specific Plan Market Analysis

Planning Area/Property	Product Type	Date Opened	Unit per Acre	Stories	Total Units	Released Units	Sold Units	Monthly Absorb.	# of Bedrooms	Size Range (SF)	Price Range	Price/SF Range
City of San Jose												
Central												
Classics @ Rose Garden	Townhomes	8/9/2003	12	3	13	12	7	3.5	3 bedrooms	1,580	\$543,950	344
College Park	Townhomes	7/13/2003	12	3	34	34	34	2.3	2 and 3 bedrooms	1,321 - 1,747	\$469,900 - \$539,900	\$309 - \$356
Georgetown	Townhomes	2/23/2002	12	3	94	91	86	4.3	3 bedrooms	1,463 - 1,859	\$499,355 - \$551,100	\$296 - \$341
Mariani Square	Townhomes	6/15/2003	20	2 and 3	114	35	28	7.5	2 and 3 bedrooms	1,280 - 1,620	\$438,500 - \$529,900	\$327 - \$343
Markethouse	Lofts	8/24/2002	36	2	53	51	48	3.6	1 and 2 bedrooms	928 - 1,367	\$379,000 - \$499,900	\$366 - \$409
Midtown Plaza	Condominiums	8/7/2003	40	1, 2, and 3	257	48	37	20.1	1, 2, and 3 bedrooms	744 - 1,340	\$294,990 - \$437,990	\$327 - \$396
Park Townsend	Mixed	7/29/2003	40	1 and 2	98	36	19	8.1	1 and 2 bedrooms	1,268 - 3,194	\$445,900 - \$786,900	\$246 - \$352
Subtotal					663	307	259					
Edenvale												
Bella Village	Townhomes	10/4/2003	16	2 and 3	126	0	0	na	3 and 4 bedrooms	1,591 - 1,790	\$485,000 - \$495,000	\$277 - \$305
Tuscany Hills	Mixed	3/18/2003	25	1, 2, and 3	600	81	71	10.4	2 and 3 bedrooms	1,104 - 2,263	\$403,000 - \$552,700	\$244 - \$365
Subtotal					726	81	71					
Other												
Madden Village (Alum Rock, San Jose)	Townhomes	4/5/2003	15	3	32	26	15	2.4	2 and 3 bedrooms	1,091 - 1,727	\$369,000 - \$449,000	\$260 - \$338
Palomar (Willow Glen, San Jose)	Townhomes	2/23/2002	24	2 and 3	93	58	56	2.9	2 and 3 bedrooms	1,327 - 1,775	\$424,900 - \$482,900	\$272 - \$320
Subtotal					125	84	71					
City Total					1,514	472	401					
Other Santa Clara County												
Landings @ Rivermark (Santa Clara)	Townhomes	6/22/2002	18	3	258	99	89	5.7	2 and 3 bedrooms	1,464 - 1,894	\$547,900 - \$609,900	\$322 - \$374
Park @ Rivermark (Santa Clara)	Townhomes	6/11/2002	12	3	125	101	101	6.3	2 and 3 bedrooms	1,437 - 1,700	\$481,900 - \$549,900	\$323 - \$335
Rock Street Cottages (Mountain View)	Townhomes	7/2/2003	24	2	60	44	31	10	2 bedrooms	1,150	\$389,000	\$339
Miramonte (Mountain View)	Townhomes	4/15/2003	24	3	21	18	18	3.1	2.5 and 3.5 bedrooms	1,261 - 1,893	\$629,880 - \$659,880	\$349 - \$500
Astoria (Cupertino)	Townhomes	10/8/2002	14	3	56	56	56	4.9	3 and 4 bedrooms	1,456 - 1,801	\$629,000 - \$709,000	\$394 - \$432
	Condos/											
Travigne Villas (Cupertino)	Townhomes	6/15/2003	30	1 and 3	46	30	21	5.8	2 and 3 bedrooms	938 - 1,800	\$450,000 - \$625,000	\$347 - \$480
Ravenna (Santa Clara)	Townhomes	11/2/2002	12	3	83	47	44	4	2, 3, and 4 bedrooms	1489 - 1712	\$514,800-\$540,200	\$316 - \$346
Central Park (Morgan Hill)	Townhomes	7/15/2003	12	2	32	2	2	0.7	3 and 4 bedrooms	1,436 - 2,075	\$490,000 - \$515,000	\$248 - \$341
Other County Total					681	397	362					
TOTAL COUNTY					2,195	869	763					

Source: Susan L. State & Associates: The State Report; Economic & Planning Systems, Inc.

Townhome projects in the City's central planning area are priced in the \$430,000 to \$560,000 range for between 1,250 and 1,900 square feet, equivalent to \$295 to \$360 per square foot. Townhomes of a similar size in other cities in the County tend to sell for higher prices, generally in the \$475,000 to \$715,000 range. In contrast, townhomes in the City of San Jose's other planning areas tend to be cheaper, with units between 1,000 and 1,800 square feet and prices between \$360,000 and \$500,000. Loft, condominium, and mixed-product projects offer some smaller-sized units, and generally have prices somewhat below townhome prices.

In the City of San Jose, monthly absorption varies, though most projects show absorption rates in the 2.0 to 7.5 range with an average of a little fewer than 4 units each month. Absorption rates are higher outside of the City with an average of 5.5 units each month. The mixed-product, condominium, and loft projects show similar rates of absorption, a little above those for the townhomes.

RENTAL PRODUCT PERFORMANCE

PERFORMANCE TRENDS

Rental product includes apartments and some townhomes. Over half of the new rental units constructed in the City in the last decade, and over one quarter of all new construction, have been in apartment projects with over 50 units.³ At the start of 1994, there were about 23,500 units in apartment projects with over 50 units. By the end of 2003, this total had increased by over 7,000 units to 30,580 units, an average annual increase of 700 units each year. As shown in **Table 3.5**, the average annual absorption was 600 units each year over the period, though the rate of construction and absorption fluctuated significantly year by year.

These units are currently spread among 151 properties with an average of 200 units per property. The approximate geographic distribution of these apartment projects is shown in **Table 3.6**.⁴ As shown, large apartment developments are spread throughout the City, and while the Central/Downtown area has the largest number of properties, the Edenvale area has the largest number of units, about 17 percent of the total.⁵ The distribution of units by unit type (number of bedrooms and bathrooms) is shown in **Table 3.7** and the City's major planning areas in **Figure 3.1**. The City has above average two-bedroom, two-bath units reflecting the tendency for singles to share housing.

³ Apartment projects with over 50 units may include numerous smaller buildings with fewer than 50 units.

⁴ Apartment location was provided by ZIP code and generalized distributions between the ZIP codes and the planning areas were used to derive the estimates presented.

⁵ The project and unit count in the Edenvale and South Planning Areas is somewhat variable depending on the assumed distributions of development in the 95136 ZIP code.

Table 3.5
City of San Jose Large Apartment Building Development and Absorption (1)
Coyote Valley Specific Plan Market Analysis

Item	1994	1996	1998	2000	2002	2003	Total	Annual
New Units (2)	0	978	1,689	880	3,112	367	7,026	703
Total Units	23,554	24,532	26,221	27,101	30,213	30,580	--	--
Occupancy Rate	96.3%	97.0%	93.7%	98.5%	92.6%	92.1%	--	--
Occupied Units	22,683	23,796	24,569	26,694	27,977	28,164	--	--
Units Absorbed	N/A	419	699	378	1,333	187	3,016	302

(1) Study inventory comprised of 151 projects with over 50 dwelling units. Projects include single family and multi-family projects.

(2) New units built during the current and preceding year, with the exception of 2003.

Sources: RealFacts and Economic & Planning Systems, Inc.

Table 3.6
Geographic Distribution of San Jose's Large Apartment Projects by Planning Area (1)
Coyote Valley Specific Plan Market Analysis

Name	Units	% of Total	Properties	% of Total	Units/Property
Almaden	0	0%	0	0%	--
Alum Rock	2,273	7%	15	10%	154
Alviso	1,552	5%	3	2%	517
Berryessa	1,280	4%	5	3%	256
Calero	0	0%	0	0%	--
Cambrian/Pioneer	1,359	4%	7	5%	194
Central	3,899	13%	25	17%	154
Coyote	0	0%	0	0%	--
Edenvale	4,386	14%	17	11%	260
Evergreen	1,047	3%	5	3%	205
North	2,227	7%	6	4%	394
Other-Campbell (2)	410	1%	5	3%	82
Other-Cupertino (2)	2,706	9%	11	7%	246
San Felipe	0	0%	0	0%	--
South	3,399	11%	11	7%	317
West Valley	2,574	8%	21	14%	123
Willow Glen	<u>3,468</u>	<u>11%</u>	<u>21</u>	<u>14%</u>	<u>169</u>
Total	30,580	100%	151	100%	203

(1) Property and unit distribution are rough estimates based on overlay between ZIP code address and Planning Area boundaries.

(2) Projects in these areas lie close to the City's western edge.

Sources: RealFacts and Economic & Planning Systems, Inc.

Table 3.7**Product Distribution and Average Rents for San Jose's Large Apartment Projects (1)3.7_
Coyote Valley Specific Plan Market Analysis**

Unit Type bed/bath	Total Units (2)	% of Total	Average SF	Average Low Rent	Average High Rent	Average Rent	Average Rent/SF
0/0	2,612	8.5%	464	\$891	\$947	\$909	\$1.96
1/1	13,593	44.5%	707	\$1,096	\$1,185	\$1,126	\$1.59
2/1	2,922	9.6%	888	\$1,201	\$1,258	\$1,220	\$1.37
2/2	9,150	29.9%	1,010	\$1,418	\$1,545	\$1,460	\$1.45
2TH	748	2.4%	1,129	\$1,451	\$1,564	\$1,489	\$1.32
3/2	1,526	5.0%	1,274	\$1,745	\$1,830	\$1,773	\$1.39
3TH	<u>29</u>	<u>0.1%</u>	<u>1,591</u>	<u>\$2,264</u>	<u>\$2,282</u>	<u>\$2,270</u>	<u>\$1.43</u>
TOTAL	30,580	100%	834	\$1,227	\$1,322	\$1,259	\$1.51

(1) All data as of September 2003.

(2) Sample inventory comprised of 151 properties with 50+ units.

Source: RealFacts, September 2003; EPS

Figure 3.1: City of San Jose Planning Areas

This figure is not available in PDF. Please refer to the paper copy of the report.

At the current time, the average size of these apartments is 834 square feet, the average monthly rent is \$1,259, and the average rent per square foot is \$1.51 (see **Table 3.7**). Average monthly rental rates (in inflation-adjusted 2003 dollar terms) increased from below \$1,200 in 1996 to over \$1,600 in 2000, from an average of about \$1.50 per square foot to close to \$2.00 per square foot, based on an average apartment of about 835 square feet. Monthly rents peaked in 2003 and then fell steadily through the second quarter of 2003, before stabilizing at just over \$1,200, \$1.50 per square foot, their 1996 levels. These rental reductions were unable to counterbalance the sliding occupancy rates, with occupancy falling from a peak of 98.6 percent in 2001 to a stabilized 91.5 percent during 2002 (see **Figure 3.2**). Projects with higher rental rates relative to the others in a particular geography are currently experiencing the highest vacancy rates. These lower occupancy and rental rates reflect the economic downturn and the associated lowering of interest rates that supports entry level home ownership, with rental rates falling across all apartment sizes. Rental and occupancy rates have, however, appeared to have stabilized in the last two quarters.

NEW PROJECT SUMMARY

Table 3.8 shows performance data on large apartment projects constructed since 2000, including a total of about 4,000 units.⁶ As shown, the majority of new apartment projects consist of three- or four-story buildings, with some two- and five-story buildings. Buildings vary in size from 15 to 80 units with an average of 35 units per building, and most projects offer at least three different unit types. Densities are generally between 25 and 55 units per acre. All of these projects offer a large package of amenities, including some combination of a fitness center, a business center, a swimming pool, a clubhouse, a spa, and a playground. The new apartment projects are spread throughout the City.

The central/ downtown area has seen the largest number of projects, most providing between 100 and 400 units and many in mixed-use developments. Unit sizes vary from 500 to 2,000 square feet, with an average of 978 square feet, and pricing from \$1,000 to \$2,700 per month, with an average of \$1,694. The average price per square foot for each project falls in a consistent range of \$1.65 per square foot to \$1.90 per square foot. Occupancy rates for projects that have not just entered the market are between 80 percent and 100 percent.

Projects outside of the central area tend to be larger and create their own mini-neighborhoods. For construction purposes, they are, however, divided into multiple phases. The North Park project offers units in a similar size range to the central area projects, but commands higher rents, in the \$1,300 to \$3,300 range. Occupancy is over 90 percent for phases two and three, though it has fallen to 62 percent for the older and more expensive Oaks project.

⁶ Projects with phases that began prior to 2000 are also included.

Figure 3.2
San Jose Annual Rent (2003\$) and Occupancy Trends:
Selected properties with 50+ units

Sources: RealFacts, Bureau of Labor Statistics, and Economic & Planning Systems, Inc.

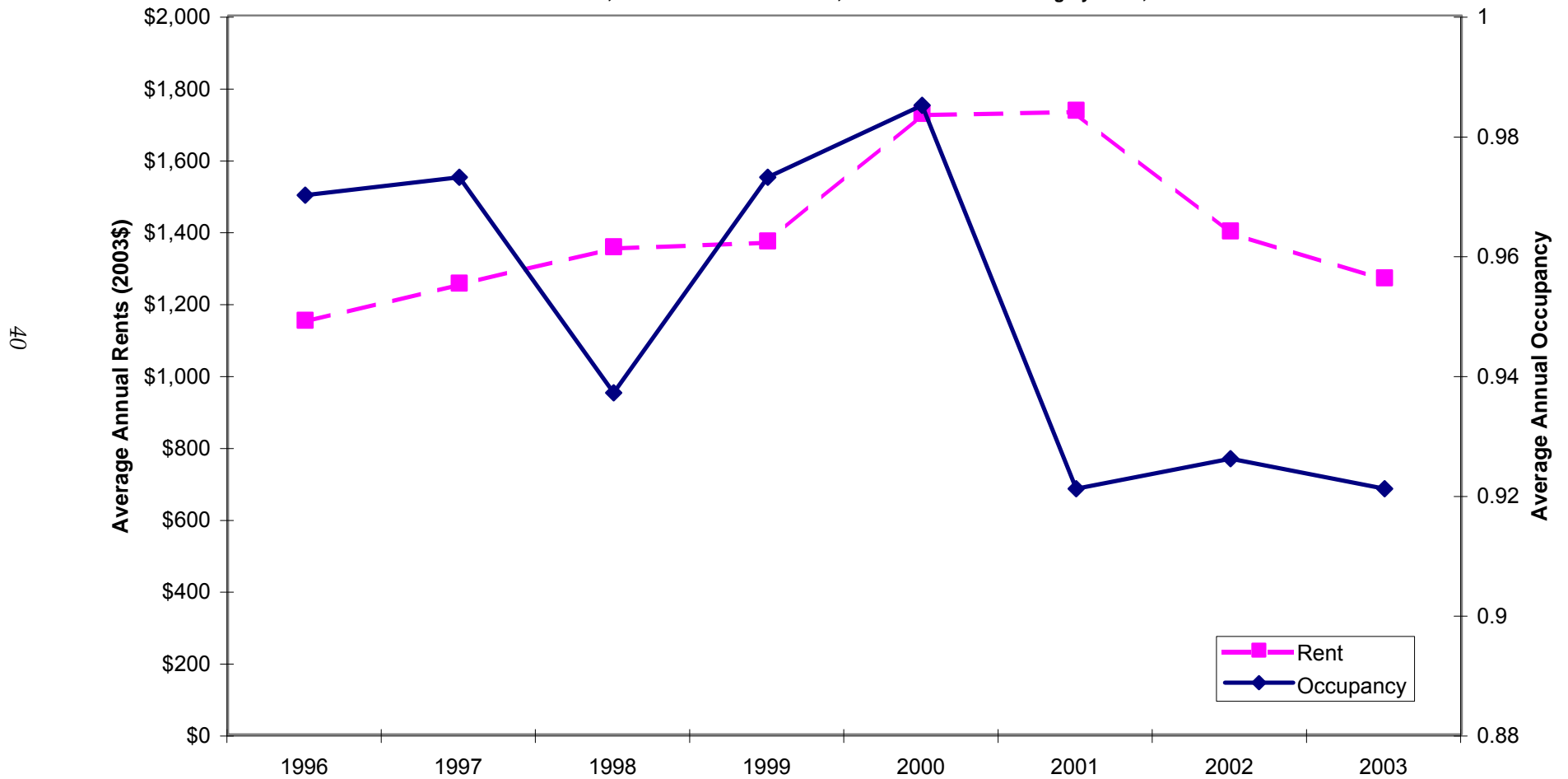


Table 3.8
New Large Apartment Projects in San Jose from 2000 (1)
Coyote Valley Specific Plan Market Analysis

Planning Area/Property	Year Built	Units	Buildings	Units/ Bldg	Stories	Product Range	Occupancy (1)	Size Range (SF)	Price Range	Average Size (SF)	Average Price	Average Price/SF
Central												
Market Gateway	2000	54	4	14	4	1-2 bedrooms and 2 bdrm townhomes	83%	717 - 1,567	\$1,195 - \$2,695	875	\$1,543	\$1.76
Avalon at Cahill Park	2001	218	7	31	4	1-2 bedrooms and 2 bdrm townhomes	90%	793 - 1,802	\$1,450 - \$2,530	1,004	\$1,728	\$1.72
101 San Fernando	2001	323	16	20	5	0-3 bedrooms	81%	485 - 1,397	\$1,045 - \$2,695	934	\$1,610	\$1.72
Esplanade	2001	278	7	40	3	0-1 bedrooms and 2-3 bdrm townhomes	86%	833 - 1,992	\$1,340 - \$2,450	1,075	\$1,782	\$1.66
Legacy at Museum Park	2002	117	11	11	3	1-3 bedrooms	98%	589 - 1,396	\$1,199 - \$2,650	1,007	\$1,883	\$1.87
Legacy Fountain Plaza	2003	<u>367</u>	<u>6</u>	<u>61</u>	3	0-2 bedrooms	3%	582 - 1,278	\$1,275 - \$2,165	<u>973</u>	<u>\$1,620</u>	<u>\$1.67</u>
Subtotal		1,357	51	27						978	\$1,694	\$1.73
North												
North Park: Oaks	1998	388	10	39	3	1-3 bedrooms	62%	744 - 1,243	\$1,600 - \$3,230	931	\$2,071	\$2.22
North Park: Cypress	2002	433	6	72	4	0-3 bedrooms and 2 bdrm townhomes	94%	551 - 1,492	\$1,310 - \$3,060	830	\$1,649	\$1.99
North Park: Pines	2002	<u>478</u>	<u>6</u>	<u>80</u>	4	0-3 bedrooms	91%	529 - 2,285	\$1,335 - \$3,285	<u>995</u>	<u>\$1,867</u>	<u>\$1.88</u>
Subtotal		911	12	76						919	1,862	\$2.03
Edenvale												
Villa Venito, Palm Valley	1999	226	22	10	2	1-3 bdrm townhomes	87%	833 - 1,406	\$1,340 - \$2,225	1,172	\$1,686	\$1.44
Palma Sorrento, Palm Valley	2000	274	11	25	3	1-3 bedrooms	81%	764 - 1,264	\$1,195 - \$1,787	1,055	\$1,444	\$1.37
Santa Palmia, Palm Valley	2001	<u>598</u>	<u>11</u>	<u>54</u>	3	1-3 bedrooms	56%	802 - 1,264	\$1,295 - \$2,185	<u>1,017</u>	<u>\$1,741</u>	<u>\$1.71</u>
Subtotal		1,098	44	25						1,081	\$1,624	\$1.51
Willow Glen												
Archstone	2001	412	10	41	3	1-3 bedrooms	96%	726 - 1,131	\$1,230 - \$1,623	900	\$1,422	\$1.58
West Valley												
Santana Row	2002	255	2	128	2	1-3 bedrooms	94%	700 - 2,100		1,286	\$2,737	\$2.13

(1) Projects prior to 2000 are shown when earlier phases of reported projects. All projects include over 50 units. All data as of September 30, 2003.

Source: RealFacts and Economic & Planning Systems, Inc.

The Palm Valley project in Edenvale and the Archstone project in Willow Glen offer units at lower prices. The Palm Valley project offers apartments and townhomes in the 750- to 1,400-square foot range for between \$1,300 and \$2,200. Its first two phases command occupancy rates in the 80 to 90 percent range at prices below \$1.50 per square foot. Its third and final phase is still under construction, with about half of its units released. Its average rent is the highest at \$1.71 per square foot and the occupancy rate of the released units is 56 percent. The 412-unit Archstone project offers a narrower range of product types in the 700- to 1,150-square foot range for between \$1,200 and \$1,650 per month, an average of \$1.58 per square foot. This project has achieved a 96 percent occupancy rate.

HOME BUYER CHARACTERISTICS

Home buyer characteristics (household size and age) vary by product type. This section provides a summary of the different types of households choosing to purchase different residential products with a particular emphasis on higher density product types. This buyer profile is based on a series of case studies of for-sale product, both in Santa Clara County, the San Francisco Bay Area, as well as other regions in California and the U.S., conducted by S.L. State & Associates. More detail is shown in the “Recommended Product Array Synopsis – Coyote Valley”. Information of renter characteristics at a number of mid- and high-rise developments throughout the San Francisco Bay Area is shown in **Appendix B**.

Research and analysis of the buyers of small lot single-family detached, townhomes, low-rise townhomes and condominiums, and mid- and high-rise condominiums at a number of master-planned communities throughout the U.S. revealed a strong consistency of home buyer characteristics by product type. The general distribution of household types by product types is shown in **Table 3.9** and described below:

- **Families.** The proportion of family buyers decreases as the unit size decreases. Demand for standard lot detached single-family houses is driven by family households, about 70 percent of buyers, primarily families with two or more children. Family buyers continue to represent the majority of buyers of small lot single-family detached residences as well as townhomes, though as the unit size decreases, the compact family with one child makes up an increasing proportion of this demand. Less than 20 percent of the demand for denser and generally smaller product types, including low-rise, mid-rise, and high-rise developments, comes from family households.
- **Couples.** Couples represent between 30 and 70 percent of buyers of all product types evaluated, a strong proportion of demand, especially among the mid- and high-rise product types. Adult couples, including empty nesters and retirees, represent a consistent 10 percent of buyers across product types, except for mid-rise and high-rise condos, where their demand share increases to between 35 and

Table 3.9
Typical Distribution of Buyers by Product Type
Coyote Valley Specific Plan Market Analysis

Household Type	Standard SFD 3,000 sqft	Small Lot SFD 1,800 sqft	2-4 Story TH 1,675 sqft	Low-Rise TH/ Condo 1,375 sqft	Lofts/ Small Condos 1,000 sqft	Mid-Rise Condo 1,400 sqft	High-Rise Condo 1,350 sqft
<u>Family Households</u>							
Growing Family (1)	60%	35%	12.5%	10%	0%	0%	0%
Compact Family (1)	<u>10%</u>	<u>25%</u>	<u>40%</u>	<u>10%</u>	<u>5%</u>	<u>10%</u>	<u>5%</u>
Total Family	70%	60%	52.5%	20%	5%	10%	5%
<u>Couples</u>							
Adult Couples (2)	10%	10%	10%	10%	12.5%	35%	40%
Young Couples (2)	<u>20%</u>	<u>20%</u>	<u>25%</u>	<u>50%</u>	<u>40%</u>	<u>35%</u>	<u>30%</u>
Total Couples	30%	30%	35%	60%	53%	70%	70%
<u>Singles</u>							
Adult Singles (2)	0%	5%	5.0%	5%	7.5%	5%	15%
Young Singles (2)	<u>0%</u>	<u>5%</u>	<u>7.5%</u>	<u>15%</u>	<u>35%</u>	<u>15%</u>	<u>10%</u>
Total Singles	0%	10%	12.5%	20%	42.5%	20%	25%

(1) Growing families include two or more children. Compact families include one child.

(2) Young refers to 50 years and less; adult refers to 50 years and over.

Source: S.L. States & Associates.

40 percent. Young couples represent between 20 and 50 percent of buyers across the product types, with especially significant shares of low-rise stacked townhomes, condos, and lofts, as well as mid- and high-rise developments.

- **Singles.** The proportion of single buyers increases as unit size decreases. Singles generally represent a greater share of buyers among loft and low-, mid- and high-rise condo developments. Young singles are expected to be especially attracted to the smaller loft/ condo product and adult singles to the high-rise condos.

Over the next thirty years, retirees will form an increasing proportion of the region's population, and, as a result, the proportions of adult single and adult couple buyers will increase. In the early years of retirement, many retirees, like non-retired empty nesters, will seek to purchase high-end mid- and high-rise condominiums with a broad range of in-house services. As retirees age, however, there will be increasing demand for specialized rental products, including assisted care and assisted living housing.

IV. PROSPECTS FOR COYOTE VALLEY

This Chapter evaluates the prospects for Coyote Valley to capture new housing development. This evaluation is divided into several sections that consider:

- The projected distribution of new housing development between the cities of Santa Clara County.
- The current pipeline of competitive supply of housing in the City of San Jose.
- The locational and other attributes of Coyote Valley.
- The expected capture rate and absorption of residential development at Coyote Valley, and a market-supported land use program and associated price points for Coyote Valley residential development.

PROJECTED CAPTURE RATES BY CITY

Santa Clara County developed an average of about 4,300 units each year between 1990 and 2003, and the City of San Jose produced 2,500 units each year, close to 60 percent of the countywide total. ABAG 2002 projections suggest a growth rate for Santa Clara County over the next 20 years of about 4,900 new households each year and about 2,500 households each year in the City.⁷ ABAG 2003 projections, however, suggest a significantly higher rate of growth in the future of about 6,800 households each year over the next 20 years in the County and 4,200 households each year in the City of San Jose. The higher ABAG 2003 projections are based on assumptions concerning the implementation of “smart growth” policies, not only in the City of San Jose, many of which are currently in place, but also in other cities in Santa Clara County and throughout the San Francisco Bay Area. For Santa Clara County, these two sets of projections imply the addition of between about 100,000 and 135,000 households, and for the City of San Jose, between 50,000 and 80,000 households.⁸

The ABAG projections break the growth out between different cities with ABAG 2002 projections showing more growth in outlying cities such as Gilroy, Morgan Hill, and Cupertino, while ABAG 2003 projections show more growth in San Jose, Santa Clara,

⁷ The number of new housing units will be somewhat higher than the number of new households due to the frictional vacancies also present in the housing market.

⁸ ABAG 2003 Projections assumed that parts of Coyote Valley are available for development over the projections period, but that only a portion of the Specific Plan’s expected buildout capacity would be completed by 2025.

Mountain View and Palo Alto.⁹ The range of projections for selected cities is shown in **Table 4.1** and described below:

- **San Jose.** The City of San Jose is expected to capture a large proportion of new housing development. Over the last 13 years, it captured 58 percent of new housing development and is projected to capture between 50 percent and 62.5 percent of new growth, between 50,000 and 80,000 new housing units under 2002 and 2003 Projections, respectively.
- **Santa Clara.** The City of Santa Clara is projected to increase by 10,000 households between 2005 and 2025, under both sets of projections, representing 10 percent of County growth under ABAG 2002 projections and 7.5 percent of County growth under ABAG 2003 projections.
- **Sunnyvale.** The City of Sunnyvale is projected to obtain 6 percent of growth under both projections, including 6,000 units under ABAG 2002 and 8,000 units under ABAG 2003.
- **Milpitas.** The City of Milpitas is projected to obtain about 5 percent of growth under both projections, including 5,000 units under ABAG 2002 and 6,000 units under ABAG 2003.
- **Mountain View.** The City of Mountain View is expected to capture 3,000 households under 2002 projections and 6,000 units under 2003 projections, an increase from 3 percent to 4.5 percent of new County households.
- **Palo Alto.** The City of Palo Alto is expected to capture 2,000 households under 2002 projections and 4,000 units under 2003 projections, an increase from 2 percent to 3 percent of all households.
- **Gilroy.** The City of Gilroy is expected to grow by 7,000 households under 2002 projections (7 percent of County growth) and by 4,000 units under 2003 projections (3 percent of County growth).
- **Morgan Hill.** The City of Morgan Hill is expected to grow by 4,500 households under 2002 projections (4.5 percent of County growth) and by 2,000 units under 2003 projections (1.5 percent of County growth). The City's growth control measure currently allows the construction of only 200 units each year, limiting new housing growth over the next 20 years to 4,000 new housing units.

⁹ The net increase in projected households in Santa Clara County under ABAG 2003 projections is driven by the significant increase in households in the City of San Jose. Other jurisdictions also show changes, some higher and some lower than ABAG 2002 projections, though these changes come close to canceling each other out.

Table 4.1
Household Growth Projections (2005-2025)
Coyote Valley Specific Plan Market Analysis

Area	2005	2010	2015	2020	2025
Households					
San Jose, 2002 Projections	294,450	312,110	325,140	334,700	344,110
San Jose, 2003 Projections	<u>294,160</u>	<u>312,150</u>	<u>332,020</u>	<u>357,430</u>	<u>377,620</u>
<i>San Jose, midpoint</i>	294,305	312,130	328,580	346,065	360,865
Santa Clara city, 2002 Projections	40,660	43,350	45,910	48,480	50,800
Santa Clara city, 2003 Projections	<u>40,660</u>	<u>43,600</u>	<u>45,960</u>	<u>48,620</u>	<u>50,680</u>
<i>Santa Clara city, midpoint</i>	40,660	43,475	45,935	48,550	50,740
Sunnyvale, 2002 Projections	54,070	55,380	56,960	58,630	60,250
Sunnyvale, 2003 Projections	<u>54,060</u>	<u>55,460</u>	<u>57,550</u>	<u>59,900</u>	<u>61,920</u>
<i>Sunnyvale, midpoint</i>	54,065	55,420	57,255	59,265	61,085
Milpitas, 2002 Projections	18,690	19,840	21,220	22,610	23,830
Milpitas, 2003 Projections	<u>18,680</u>	<u>20,080</u>	<u>21,910</u>	<u>23,850</u>	<u>25,010</u>
<i>Milpitas, midpoint</i>	18,685	19,960	21,565	23,230	24,420
Mountain View, 2002 Projections	32,060	32,810	33,610	34,340	34,880
Mountain View, 2003 Projections	<u>32,060</u>	<u>33,150</u>	<u>34,700</u>	<u>36,730</u>	<u>37,760</u>
<i>Mountain View, midpoint</i>	32,060	32,980	34,155	35,535	36,320
Palo Alto, 2002 Projections	25,980	26,500	27,060	27,630	28,140
Palo Alto, 2003 Projections	<u>25,870</u>	<u>26,170</u>	<u>27,300</u>	<u>28,900</u>	<u>30,150</u>
<i>Palo Alto, midpoint</i>	25,925	26,335	27,180	28,265	29,145
Gilroy, 2002 Projections	13,590	15,530	17,170	18,830	20,510
Gilroy, 2003 Projections	<u>13,400</u>	<u>15,190</u>	<u>16,080</u>	<u>16,950</u>	<u>17,340</u>
<i>Gilroy, midpoint</i>	13,495	15,360	16,625	17,890	18,925
Morgan Hill, 2002 Projections	12,130	13,410	14,690	15,910	16,890
Morgan Hill, 2003 Projections	<u>11,940</u>	<u>13,160</u>	<u>13,490</u>	<u>13,830</u>	<u>14,140</u>
<i>Morgan Hill, midpoint</i>	12,035	13,285	14,090	14,870	15,515

Sources: ABAG Projections 2002, ABAG Projections 2003, Economic & Planning Systems, Inc.

Table 4.1 (continued)
Household Growth Projections (2005-2025)
Coyote Valley Specific Plan Market Analysis

Area	2005-2015	2015-2025	2005-2025	
	Change 10 Year	Change 10 Year	Change 20 Year	Avg. Ann.
Households				
San Jose, 2002 Projections	30,690	18,970	49,660	2,483
San Jose, 2003 Projections	<u>37,860</u>	<u>45,600</u>	<u>83,460</u>	<u>4,173</u>
<i>San Jose, midpoint</i>	34,275	32,285	66,560	3,328
Santa Clara city, 2002 Projections	5,250	4,890	10,140	507
Santa Clara city, 2003 Projections	<u>5,300</u>	<u>4,720</u>	<u>10,020</u>	<u>501</u>
<i>Santa Clara city, midpoint</i>	5,275	4,805	10,080	504
Sunnyvale, 2002 Projections	2,890	3,290	6,180	309
Sunnyvale, 2003 Projections	<u>3,490</u>	<u>4,370</u>	<u>7,860</u>	<u>393</u>
<i>Sunnyvale, midpoint</i>	3,190	3,830	7,020	351
Milpitas, 2002 Projections	2,530	2,610	5,140	257
Milpitas, 2003 Projections	<u>3,230</u>	<u>3,100</u>	<u>6,330</u>	<u>317</u>
<i>Milpitas, midpoint</i>	2,880	2,855	5,735	287
Mountain View, 2002 Projections	1,550	1,270	2,820	141
Mountain View, 2003 Projections	<u>2,640</u>	<u>3,060</u>	<u>5,700</u>	<u>285</u>
<i>Mountain View, midpoint</i>	2,095	2,165	4,260	213
Palo Alto, 2002 Projections	1,080	1,080	2,160	108
Palo Alto, 2003 Projections	<u>1,430</u>	<u>2,850</u>	<u>4,280</u>	<u>214</u>
<i>Palo Alto, midpoint</i>	1,255	1,965	3,220	161
Gilroy, 2002 Projections	3,580	3,340	6,920	346
Gilroy, 2003 Projections	<u>2,680</u>	<u>1,260</u>	<u>3,940</u>	<u>197</u>
<i>Gilroy, midpoint</i>	3,130	2,300	5,430	272
Morgan Hill, 2002 Projections	2,560	2,200	4,760	238
Morgan Hill, 2003 Projections	<u>1,550</u>	<u>650</u>	<u>2,200</u>	<u>110</u>
<i>Morgan Hill, midpoint</i>	2,055	1,425	3,480	174

Sources: ABAG Projections 2002, ABAG Projections 2003, Economic & Planning Systems, Inc.

As discussed below, Coyote Valley will capture a proportion of new growth in the City of San Jose, and in providing significant housing development capacity over time, could change the number of new households in the City of San Jose. The potential demand for housing in Santa Clara County and the City of San Jose is likely to be greater than the actual number of households locating there. The constraints on housing development and the associated increases in housing prices will push some of this potential demand outside of the County. For the purposes of this analysis, it is assumed that over the next 20 years, between 2005 and 2025, the effective market demand for housing in the City of San Jose is the mid-point between ABAG 2002 and ABAG 2003 projections, about 3,300 units each year.

COMPETITIVE SUPPLY

New housing development at Coyote Valley will compete with other locations in the City of San Jose to capture new housing demand. New households drawn to the City will have a range of options to choose from, including a large set of re-sale housing and existing rental housing, as well as new for-sale detached, attached, and rental housing. The housing supply pipeline provides an indication of the quantity, location, and type of new housing development likely to enter the market place over the next several years. It includes developments that are under construction, have been approved, and have requested approval. Beyond this pipeline are a host of other projects, including Coyote Valley. The remainder of this section describes the City's supply pipeline at the current time.

The City of San Jose currently has about 22,500 housing units in its pipeline in projects of over 50 units.¹⁰ This pipeline spans a number of neighborhoods, a range of approval stages, and a variety of development types. Other, smaller infill projects are also in the pipeline, but represent a small proportion of overall pipeline development in the City. Currently, there are about 1,000 units of smaller projects in the supply pipeline. The supply pipeline is shown in **Tables 4.2** and **4.3**, and described below.

- **Development Stage.** Of the units in the pipeline, about 6,700 units are currently under construction, 4,900 units have been approved, but not yet commenced construction, and 10,900 units are pending City approval.
- **Neighborhoods.** Pipeline development is spread among City planning areas/ neighborhoods. Over 70 percent of this development is located in the northern (11 percent), central (23 percent), southern (17 percent), and Edenvale (20 percent) planning areas. The remainder of the pipeline is primarily spread amongst West Valley (6 percent), Evergreen (6 percent), Alum Rock (7 percent), Willow Glenn (4 percent), and smaller shares in Berryessa and Cambria/ Pioneer. The central planning area includes downtown (see **Figure 3.1**).

¹⁰ Based on January 2004 City of San Jose Development Activity Report with mid-year applications added.

Table 4.2
City of San Jose Residential Development Pipeline by Planning Area
Coyote Valley Specific Plan

Planning Area	Under Construction	Approved	Pending Approval	Total	%
Willow Glen	442	0	429	871	4%
West Valley	248	949	79	1,276	6%
South	1,707	327	1,924	3,958	18%
North	850	1,080	441	2,371	11%
Evergreen	1,183	136	0	1,319	6%
Edenvale	773	213	3,417	4,403	20%
Central	1,284	2,008	1,874	5,166	23%
Camb/Pioneer	150	0	0	150	1%
Berryessa	0	84	540	624	3%
Alum Rock	93	92	1,470	1,655	7%
Alviso	<u>0</u>	<u>0</u>	<u>717</u>	<u>717</u>	<u>3%</u>
Total	6,730	4,889	10,891	22,510	100%

Sources: City of San Jose; Economic & Planning Systems, Inc.

Table 4.3
City of San Jose Residential Development Pipeline by Product Type
Coyote Valley Specific Plan

Product Type	Under Construction	Approved	Pending Approval	Total	%
Single Family Detached/ Attached	1,443	695	2,292	4,430	20%
Mixed Projects	2,055	1,055	6,567	9,677	43%
Multi Family	<u>3,232</u>	<u>3,139</u>	<u>2,032</u>	<u>8,403</u>	<u>37%</u>
Total	6,730	4,889	10,891	22,510	100%

Sources: City of San Jose; Economic & Planning Systems, Inc.

The locational distribution of new housing development reflects the limited land availability in some areas, the anti-growth sentiments in the neighborhoods of some areas, and the greater possibilities in more urban and transit-served areas, including downtown and along the light rail line. The pipeline development in Edenvale is dominated by the proposed project on the former IBM campus, and, in Alum Rock, by the proposed Flea market redevelopment.

- **Development Type.** There are about 4,400 units in single-family developments (including detached and attached), 8,400 in multifamily developments (including condominiums and apartments), and 9,700 in projects with a mix of single-family and multifamily development. Less than 4,000 units are single-family detached, with significant capacity for more standard detached product only available in Evergreen. The development types in the pipeline reflect the increasing lack of availability of homesites for single-family detached development as well as the increasing role attached for-sale townhomes are starting to play in filling the gap. The pipeline also indicates significant plans for the development of rental product despite the reduced occupancy and lease rates.

Under the projected growth rate of 3,300 units each year in the City of San Jose, if all these projects come to fruition and there is no additional competition, it will likely take seven years for the market to absorb this product. In reality, other projects, including Coyote Valley, may come online and will compete for this demand, and several of the pipeline projects will be absorbed over a longer time period. Over time, new projects will be initiated and the pipeline will continue to be filled, though possibly at a slower rate as sites become increasingly limited.

FACTORS DRIVING HOUSEHOLD LOCATION DECISIONS

Households will choose their preferred housing alternative based on a number of factors:

- **Housing Cost.** Based on household income and financing availability, households will choose whether to buy or rent and how much to spend. The selection of a cut-off price will make specific neighborhoods possibilities and others not.
- **Housing Quality/ Lifestyle.** Within the confines of the marketplace and the average costs of housing, households will seek housing product that offers the qualities they are seeking. In the interior, unit size, number of bedrooms, and bathrooms, fixtures, and styles will all play a role. On the exterior, the connection to common spaces, other residences and other land uses; the availability of amenities; and neighborhood characteristics will all play a key role.

- **School District/ Public Amenities.** For households with children, the quality of the school district will be of great concern. With a poorer school district, the greatest demand for higher-priced product will emanate from empty nesters and younger, childless singles and couples. In addition to schools, the availability of public places, parks, and recreational options will be important to some households.
- **Retail/ Entertainment.** Many households will look to have grocery stores and/ or other personal service stores, such as dry cleaners, and hair and nail salons, within an accessible distance. Other households look for coffee shops, restaurants, and other centers for gathering and spending time.
- **Proximity to Work.** Commute times are increasingly cutting into the leisure and family time of workers. Proximity to the workplace and/ or fast access to the workplace, through driving or public transit options, will be an important consideration for many households.

Coyote Valley will be assessed based on the same set of criteria as other locations. As a new community, Coyote Valley will develop over time, and early residential development will include product that is less dependent on surrounding development, including retail development and services. From the start, Coyote Valley will offer views of the surrounding hills and mid- and high-rise development, in particular, will take advantage of these views. At buildout, Coyote Valley will offer a broad range of public and private amenities that are likely to draw a large number of potential residents. Neighborhood retail centers, a Town Center with public places, retail, and some entertainment uses, as well as biking and jogging trails will all appeal to future homeowners.

Transportation access will also be a key consideration, with job proximity and accessibility an important concern. The distance from the jobs on the Peninsula could act as a constraint, though connections from Coyote Valley to most San Jose job locations should be within the current commute times accepted by most San Jose residents (less than 35 minutes one way).¹¹ Transit linkages could improve connections between Coyote Valley and some major job centers downtown and on North First Street, and new jobs in the Coyote Valley industrial reserve will be close by as will jobs in Edenvale, another area of the City slated for job growth. Housing cost will need to be competitive, something that will be tied to both construction costs, but also the Coyote Valley infrastructure burdens that will fall on developers. In addition, the development itself and the feel of the place must fit with the lifestyle preferences of different household types.

¹¹ Close to 75 percent of San Jose commutes spend less than 35 minutes getting to work. Job locations at Coyote Valley, Edenvale, and downtown will be accessible in that time window. Some locations around North 1st Street Jobs and in North San Jose may require more travel time.

COYOTE VALLEY MARKET CAPTURE

Projected household growth points to a strong demand for new housing development in the City of San Jose as well as Coyote Valley. As discussed above and shown in **Table 4.4**, the effective housing demand in the City of San Jose is projected to be about 3,300 units each year or 66,000 units over the next 20 years. Actual housing demand will be higher, but will be limited by housing supply and pricing. Of these 3,300 units, about 35 percent, or about 1,150 units, are expected to be rental units.¹² The remaining 2,150 units will be for-sale. In a less constrained housing market, over 70 percent of these for-sale units, 1,600 units, might be expected to be single-family detached, with the remainder single-family attached (townhomes, lofts, and condominiums). Given the limited availability of land for single-family detached development, however, single-family attached development is expected to represent over 50 percent of the new for-sale product. As a result, a total of 66,000 new housing units are projected to be constructed in the City of San Jose over the next 20 years, including 20,000 units of single-family detached product, 23,000 units of for-sale single-family attached product, and 23,000 units of rental product.

Each of the sections below discusses the product types proposed at Coyote Valley, the potential Coyote Valley capture and absorption rates in light of this overall demand profile, and the recommended quantity and price points by product type, taking into account the City mandated housing unit requirement. **Table 4.5** summarizes the results and **Table 4.6** shows the current, competitive price points by product type. Pricing estimates are based on the information provided in the “Recommended Product Synopsis”.

SINGLE-FAMILY DETACHED

Background and Market Appeal

Single-family detached development remains a strongly demanded product type in Santa Clara County, though availability of units is diminishing. Most developments at more standard developments densities of below 10 units per net acre are quickly absorbed. Increasingly, developers are constructing small lot single-family detached units to fit within unique sites and to obtain more density. These product types have also been absorbed successfully, though while they have a somewhat different buyer type distribution than townhomes, their price points are moderated by the availability of the townhouse product.

¹² This rental estimate is based on the 2000 Census housing tenure estimate for the City of San Jose and the proportion of new housing construction represented by new apartment projects over the last ten years.

Table 4.4
Projected Demand by Product Type in San Jose, 2005 - 2025
Coyote Valley Specific Plan

Product Type	Preferred Demand Distribution per Annum		Actual Demand Distribution per Annum		Actual Demand Distribution 2005-2025
Single Family Detached	1,600	48%	1,000	30%	20,000
Single Family Attached (townhomes, lofts, condos)	550	17%	1,150	35%	23,000
Apartments	<u>1,150</u>	<u>35%</u>	<u>1,150</u>	<u>35%</u>	<u>23,000</u>
Total	3,300	100%	3,300	100%	66,000

Sources: Economic & Planning Systems, Inc.

Table 4.5
Coyote Valley Capture, Absorption, and Potential Land Use Program
Coyote Valley Specific Plan Market Analysis

Product Type	Annual San Jose Demand	Coyote Valley Avg. % Capture	Annual Coyote Valley Demand	Proposed Land Use Program		Years-to- Buildout
SF Detached	1,000	55%	550	6,250	25%	11
Townhomes	750	32.5%	244	6,250	25%	26
Condos/ Lofts/ Stacked Townhomes (1)	400	30%	120	3,750	15%	31
Rental Product (1)	<u>1,150</u>	27.5%	<u>316</u>	<u>8,750</u>	<u>35%</u>	28
Total	3,300	--	1,230	25,000	100%	--

(1) Condo and apartment development will be spread amongst low-, mid- and high-rise developments. Rentals will dominate the low-rise product, though condos will be more prevalent among the mid- and high-rise developments.

Source: S. L. State & Associates; Economic & Planning Systems, Inc.

Table 4.6
Current Price Points by Product Type *
Coyote Valley Specific Plan Market Analysis

Product Type	Average Size (sq. ft.)	Average Price	Average Price per Sq. Ft.
Standard Lot SFD	3,000	\$950,000	\$317
Small Lot SFD	1,800	\$635,000	\$353
Townhomes	1,650	\$550,000	\$333
Low-Rise Condo	1,375	\$500,000	\$364
Small Condo/ Loft	1,000	\$400,000	\$400
Mid-Rise	1,400	\$540,000	\$386
High-Rise	1,350	\$575,000	\$426
Rental Product	950	\$1,700 /month	\$1.80

* Price points will change over time and will vary within product types depending on quality and cost of construction, improvements, and amenities.

Source: S. L. State & Associates; Economic & Planning Systems, Inc.

Coyote Valley Capture, Absorption, and Quantity

Given the limited number of areas with capacity for single-family detached development, Coyote Valley is expected to be able to capture as much as 55 percent of San Jose single-family detached development, or about 550 units each year. Single-family development will also be the product type that will be least dependent on surrounding amenities, and could be expected to attain this absorption rate during the early stages of Coyote Valley development. The mandated 25,000 housing unit requirement limits the overall number of detached units that could be developed at Coyote Valley, so while the market could likely support as much as 50 percent of the overall program as single-family detached, planning requirements will likely limit it to about 25 percent of the program or about 6,250 units. This level of development could be absorbed within less than 12 years.

Product Pricing

At the current time, competitive price points include prices of between \$850,000 and \$1.05 million for standard single-family lots and of between \$550,000 and \$800,000 for small-lot single-family detached development.

TOWNHOMES

Background and Market Appeal

Townhome product types are becomingly increasingly popular in the City of San Jose. The annual citywide demand for townhome product is likely to be about 65 percent of the demand for single-family attached development, or about 750 units each year. This townhome demand will be for a broad range of product types, including two-, three-, and four-story townhomes of a range of sizes. Two-story townhomes will appeal more to the empty nester/ retiree, while a range of unit sizes will allow for a greater price range.

Coyote Valley Capture, Absorption, and Quantity

With a broad range of townhome products, Coyote Valley could likely capture about 25 percent of citywide demand in the next ten years, increasing to 40 percent of demand beyond that as the scale of development and the amenity package evolves. The Coyote Valley capture rate is likely to be lower than for the single-family detached product due to more competition from other areas in the City of San Jose, with some home buyers preferring alternative locations such as downtown San Jose for its amenities or North San Jose for its proximity to many workplaces. This represents absorption of about 180 units each year during the first decade of Coyote Valley development, and 285 units during the second decade, or an average of about 245 units each year over the next three decades. An allocation of 25 percent of the land use program, 6,250 units, to townhome product could be absorbed over the course of about 25 years, and could be accommodated within the overall density requirement.

Product Pricing

At the current time, competitive price points include prices of between \$475,000 and \$650,000, with prices generally increasing as unit size increases from 1,400 square feet to 2,000 square feet.

LOW-, MID-, AND HIGH-RISE CONDOMINIUMS/ LOFTS

Background and Market Appeal

The three- to four-story condominium, loft, and stacked townhome products generally offer ownership options to smaller households at lower prices. Singles and couples dominate this product type, with very few children generally in condominiums. Condominium residents often expect a high level of external and internal urban amenities to support their more compact living spaces. Singles and couples also dominate the demand for mid- and high-rise condominiums. The views and the higher construction costs associated with these products, though, result in a different tenant type, including more affluent, executive households, as well as buildings aimed at retirees. The retiree tenants will expect a large array of amenities inside the development, while the younger empty nester and young professional will expect significant shopping and recreating amenities nearby. To date, Santa Clara County and the City of San Jose have developed a moderate number of condominiums over the last five years, including 3- and 4 –story product types and mid-rise developments. No high-rise have yet been constructed in the City of San Jose (see **Appendix B** for a description of high-rises in the development pipeline).

Coyote Valley Capture, Absorption, and Quantity

The citywide demand for condominiums is expected to be about 400 units each year, about 35 percent of the development of single-family attached product. Given the competition from downtown San Jose and numerous other areas, similar to the townhome product, Coyote Valley is expected to capture about 20 percent of demand in its first decade, and, then as supply elsewhere becomes more limited and amenities develop about 40 percent of demand. This is equivalent to about 80 units each year between 2005 and 2015 and 160 units thereafter, an average of about 120 units each year over the next thirty years. An allocation of 15 percent of the land use program, 3,750 units, to condominium product could be absorbed over the course of about 30 years.

In reality, the different product types will have different absorption rates. The 3- and 4-story product is likely to be developed sooner. One or two mid-rise projects could also be developed in the first five years, most likely aimed at the retiree market, who will be less concerned with the surrounding amenities, and more with the internal project amenities. High-rise are likely to come later, with the first project developed five to ten years into the program. This product will come later due to higher construction costs, the higher product risk, the preference for surrounding amenities, and the lack of prior development in the City. As the new downtown San Jose high-rises come on line, the market demand for high-rise development will be more securely established.

Product Pricing

Competitive price points vary for each product type. Small condos and lofts, the smallest units, will command the lowest prices at an average of about \$400,000. Larger condos and stacked townhomes will command prices in the \$400,000 to \$550,000 range. Mid-rise and high-rise development will command the highest prices of between \$450,000 and \$725,000.

APARTMENTS

Background and Market Appeal

Two- to four-story, high end apartment product, with a strong, private, amenity package, has been well-accepted in the market for many years in many different locations. The recent economic downturn and low interest rates have, however, weakened the apartment market. Lease rates and occupancy rates have fallen, though new projects are still in the pipeline. Over time, the apartment market will strengthen. Much of this product will be occupied by the next wave of the younger workers that will support the next waves of innovation, as well as families who are relocating or considering purchasing homes in the longer term. The proximity of such a large job base at Coyote Valley will augment the demand for apartment units.

Coyote Valley Capture, Absorption, and Pricing

As mentioned above, the citywide demand for apartments is expected to represent about 35 percent of the demand for new development, or about 1,150 units each year. This demand will be primarily satisfied in low-rise single-use and mixed-use developments, though there will also be demand for some mid-rise luxury and senior rental developments. New rental product, in a variety of other areas, will compete with Coyote Valley. Coyote Valley could expect to capture about one-fourth of the demand for apartments, about 290 units each year in the next ten years, increasing to 30 percent of the market and about 400 units in the longer term, as more public amenities. This represents an average annual absorption of about 315 units each year over the next 30 years. The starting absorption is expected to be higher than for some other product types as apartment demand will be strongly connected to the development of the job base, though will likely continue to compete with new apartment developments close to other City job centers through time. An allocation of 35 percent of the land use program, 8,750 units, to apartments in low- and mid-rise buildings could be absorbed over the course of about 30 years.

Mid-rise rental development is likely to lag behind the low-rise rental development in the early stages of Coyote Valley development, except in the case of senior rental housing that could likely be absorbed quickly into the market. Different projects will be configured to appeal to different segments of the market, though the mid-rise product will be aimed at the more affluent households.

Product Pricing

Monthly rents will vary considerably based on unit size, product type, and location. Per square foot monthly price points are likely to range between \$1.50 and \$2.25 per square foot, with high-end, mid-rise developments commanding the mid-point. The average price per square foot will likely be around \$1.80 per square foot. Unit sizes will range from 700 to 2,000 square feet, and monthly rents will range from \$1,100 to \$3,500.



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APPENDIX A:

SYNOPSIS OF HOUSING MARKET CONDITIONS

SYNOPSIS OF HOUSING MARKET CONDITIONS

Prepared For: City of San Jose
Presented By: S. L. State & Associates, San Ramon, CA
August 2004



Single Family Permits

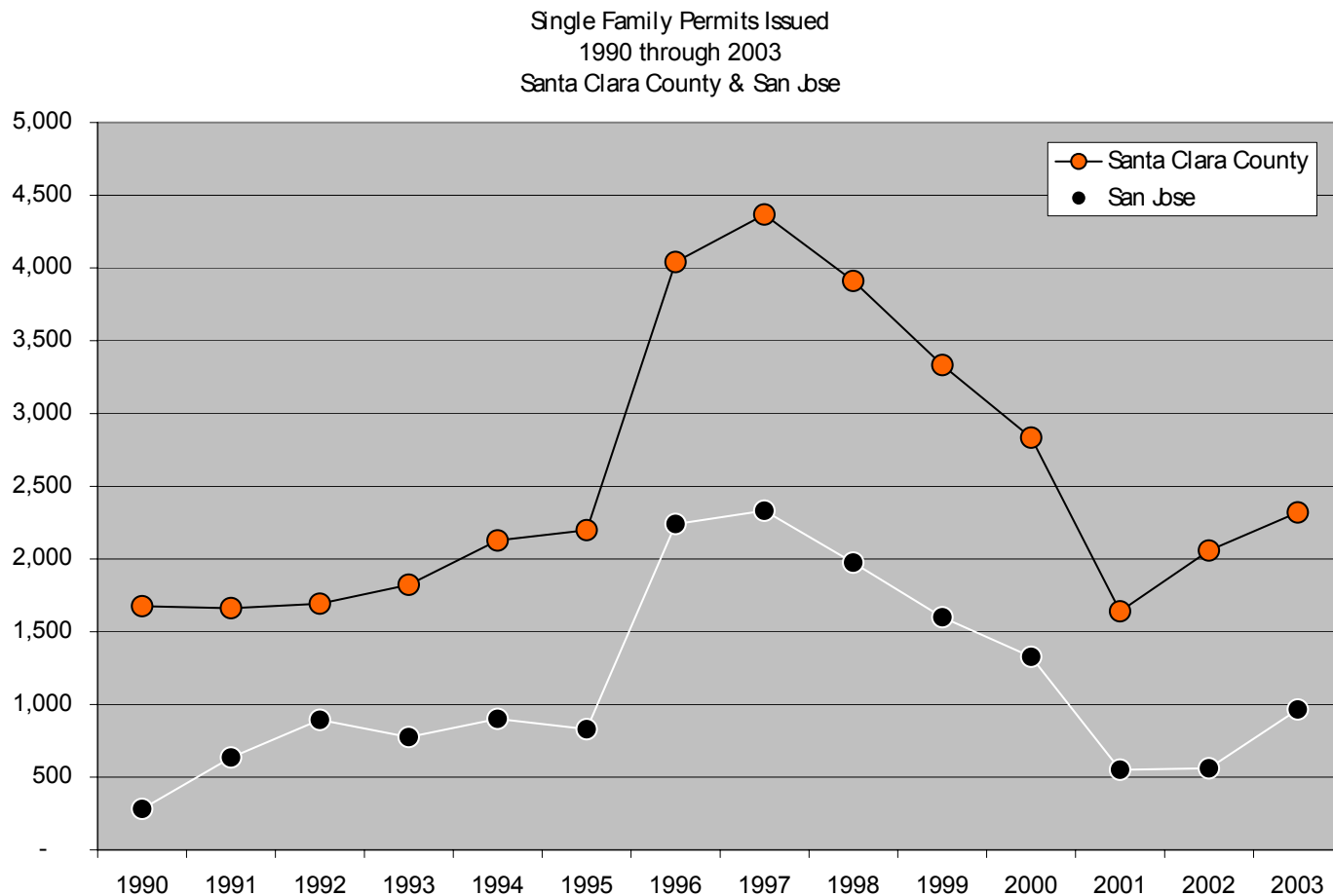
	Santa Clara County	San Jose
Dec-90	1,675	283
Dec-91	1,663	636
Dec-92	1,693	895
Dec-93	1,822	776
Dec-94	2,127	902
Dec-95	2,199	830
Dec-96	4,042	2,240
Dec-97	4,367	2,332
Dec-98	3,911	1,975
Dec-99	3,333	1,599
Dec-00	2,834	1,328
Dec-01	1,641	551
Dec-02	2,057	562
Dec-03	2,320	966

Annual Ave.	2,549	1,134
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- The number of single family permits pulled on an annual basis in Santa Clara County during the period of 1990 to 2003 has been about 2,500. San Jose accounted for almost half of that number, with an annual average of 1,134 new single family homes.
- The number of permits fluctuated a great deal, ranging in Santa Clara County from a low in 2001 of 1,641 to a high in 1997 of 4,367.
- San Jose, during that same period saw an even greater disparity on an annual basis, fluctuating between a low in 1990 of 203 permits to a high in 1997 of 2,332.
- The economic recovery that took place in the mid 1990's had a resounding affect on construction by 1996. As both in-migration took place, and as incomes and the creation of wealth increased during the next several years, builders scrambled to be able to cater to a new type of buyer.



By 1992, San Jose's detached permit activity closely aligned with the rest of Santa Clara. During the 13-year history, Santa Clara and San Jose pretty much mirrored each other in terms of peaks and valleys.



Multi-Family Permits

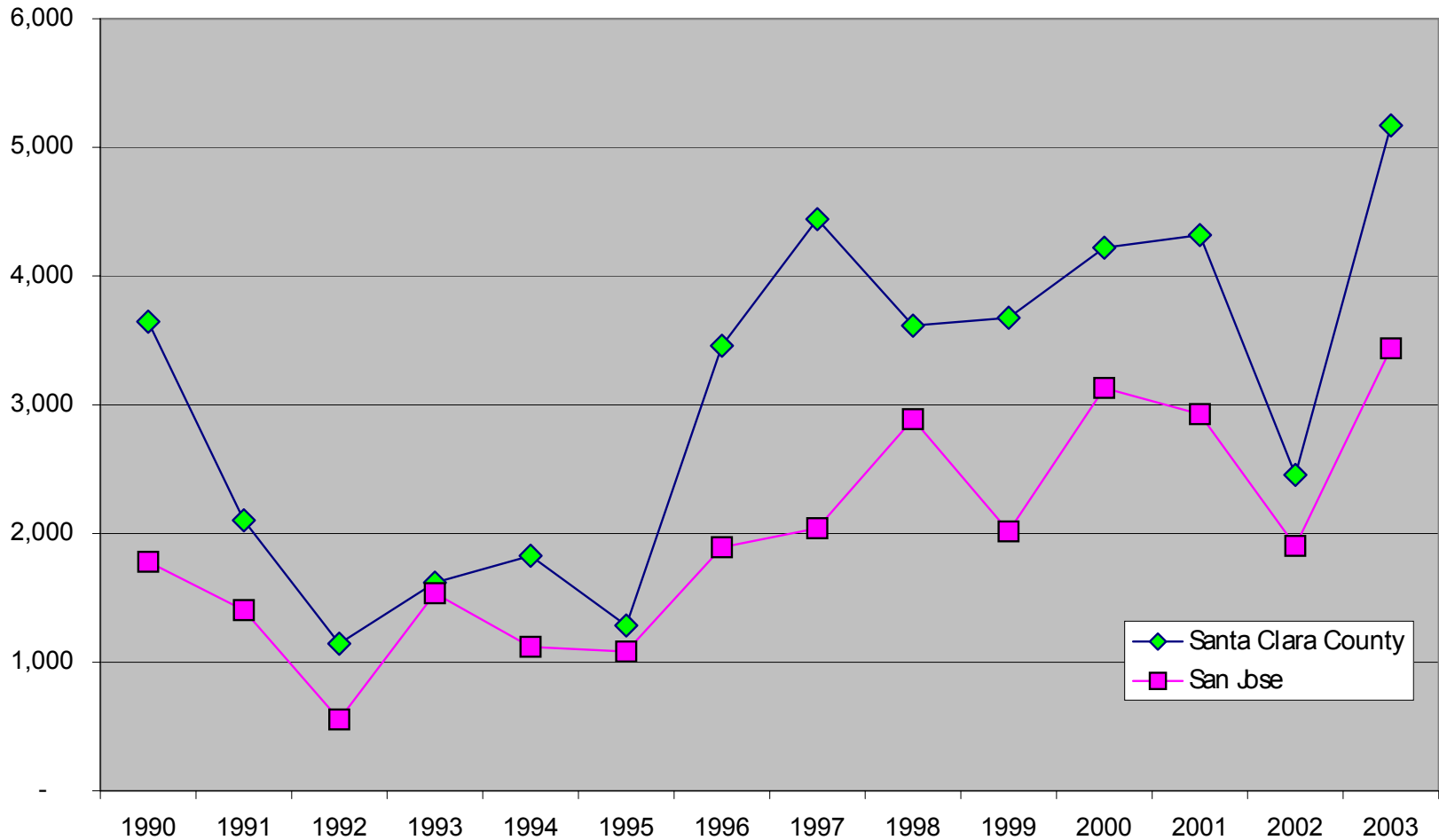
	Santa Clara County	San Jose
Dec-90	3,646	1,780
Dec-91	2,102	1,404
Dec-92	1,143	554
Dec-93	1,617	1,536
Dec-94	1,827	1,118
Dec-95	1,285	1,081
Dec-96	3,459	1,892
Dec-97	4,443	2,040
Dec-98	3,615	2,888
Dec-99	3,677	2,016
Dec-00	4,220	3,131
Dec-01	4,319	2,928
Dec-02	2,456	1,902
Dec-03	5,170	3,439

Annual Ave.	3,070	1,979
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- The number of single family permits pulled on an annual basis in Santa Clara County during the period of 1990 to 2003 has averaged about 3,000 new units annually, with San Jose being the recipient of the bulk of those permits at about 2,000 per year.
- The low point for attached permits was in 1992, with only 554 permits in San Jose pulled. The high-point was in 2003, when 3,439 new permits were pulled.



Multi Family Permits Issued
1990 through 2003
Santa Clara County & San Jose



QUALITATIVE ANALYSIS NEW-HOME TRENDS

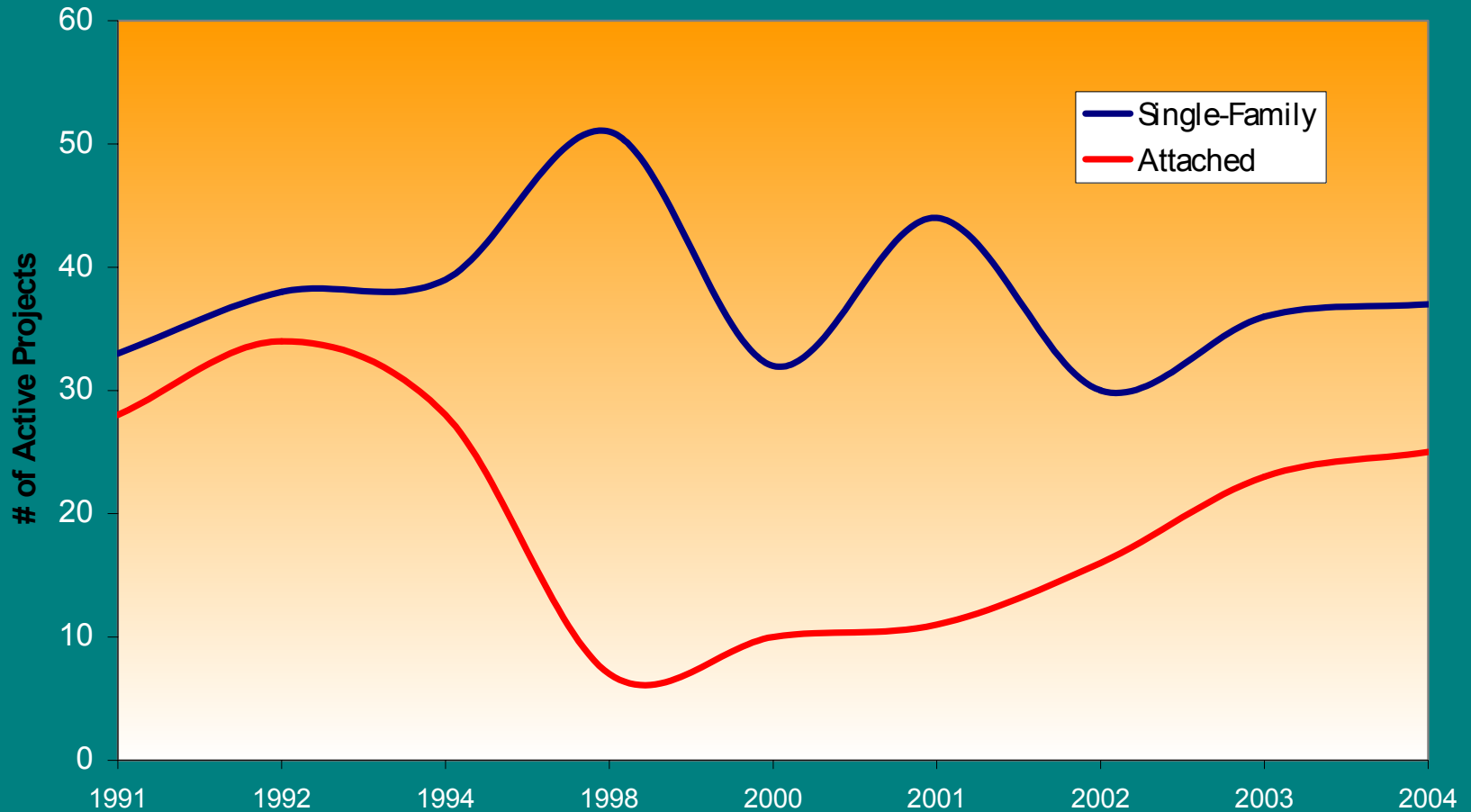
SANTA CLARA COUNTY

SAN JOSE

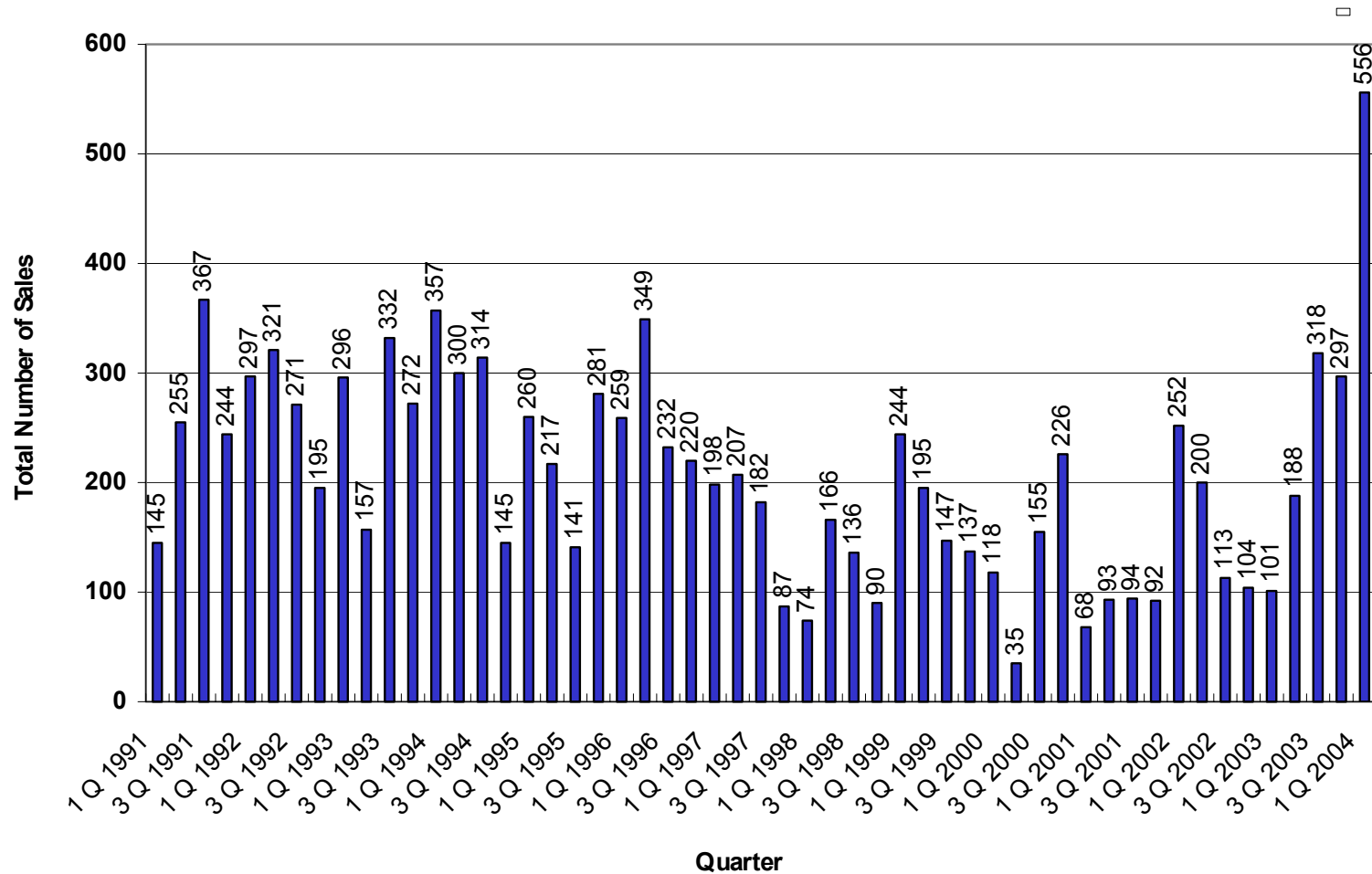
1990 TO 2004



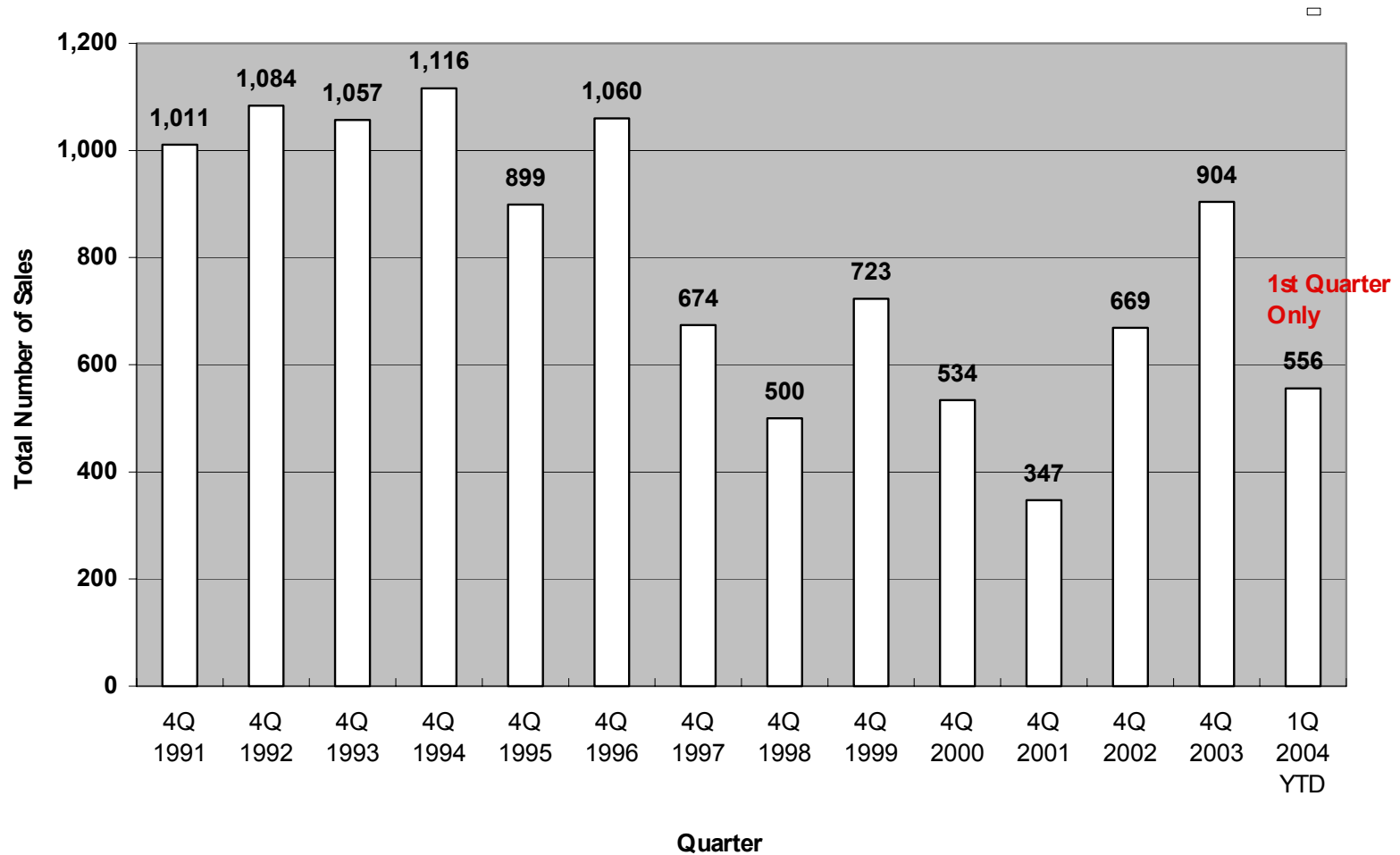
Number of Active New Construction Projects Santa Clara County



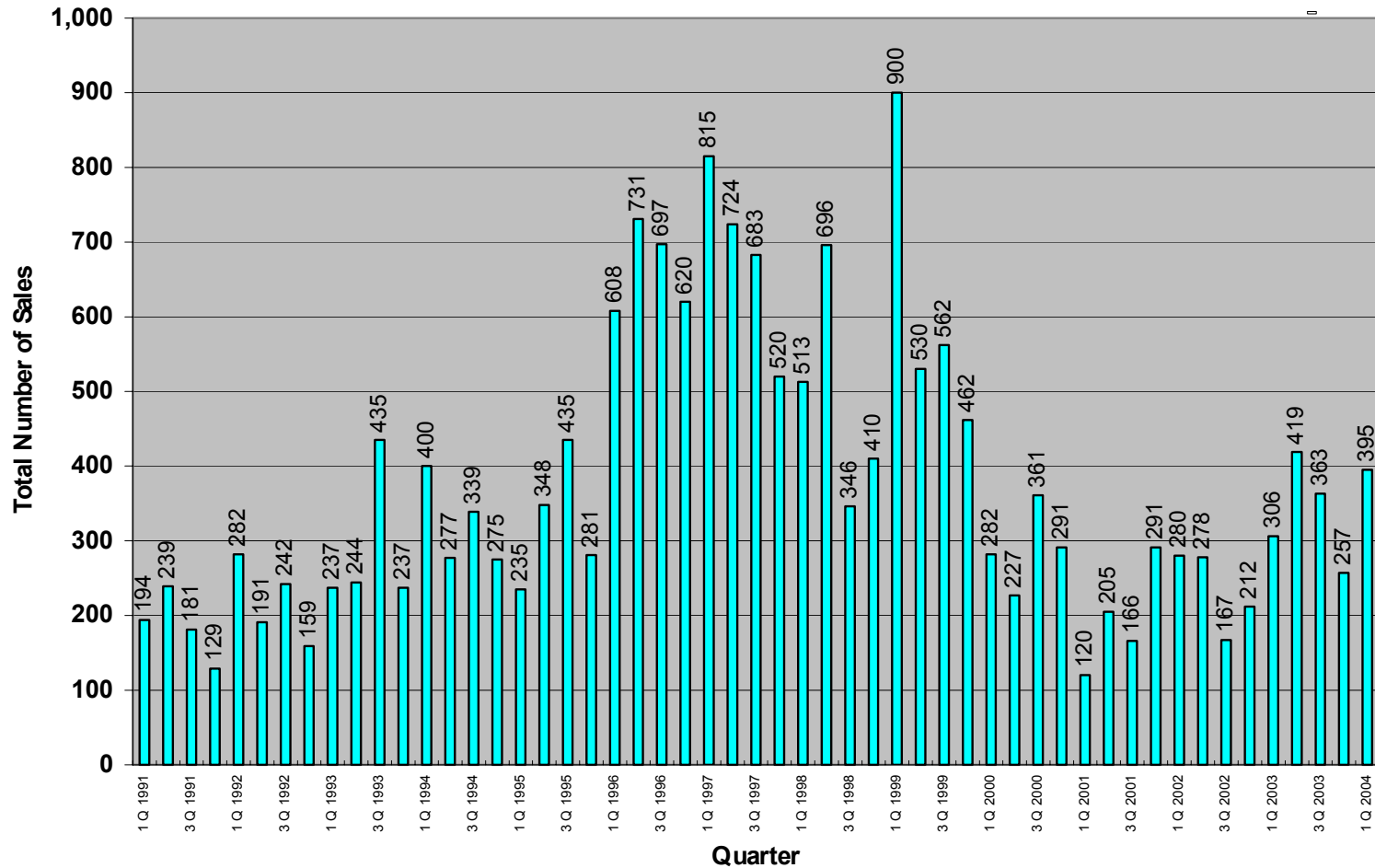
Historical Sales Analysis
Santa Clara County New Home Product
Single Family Attached Sales by Quarter
1991 to 1Q 2004



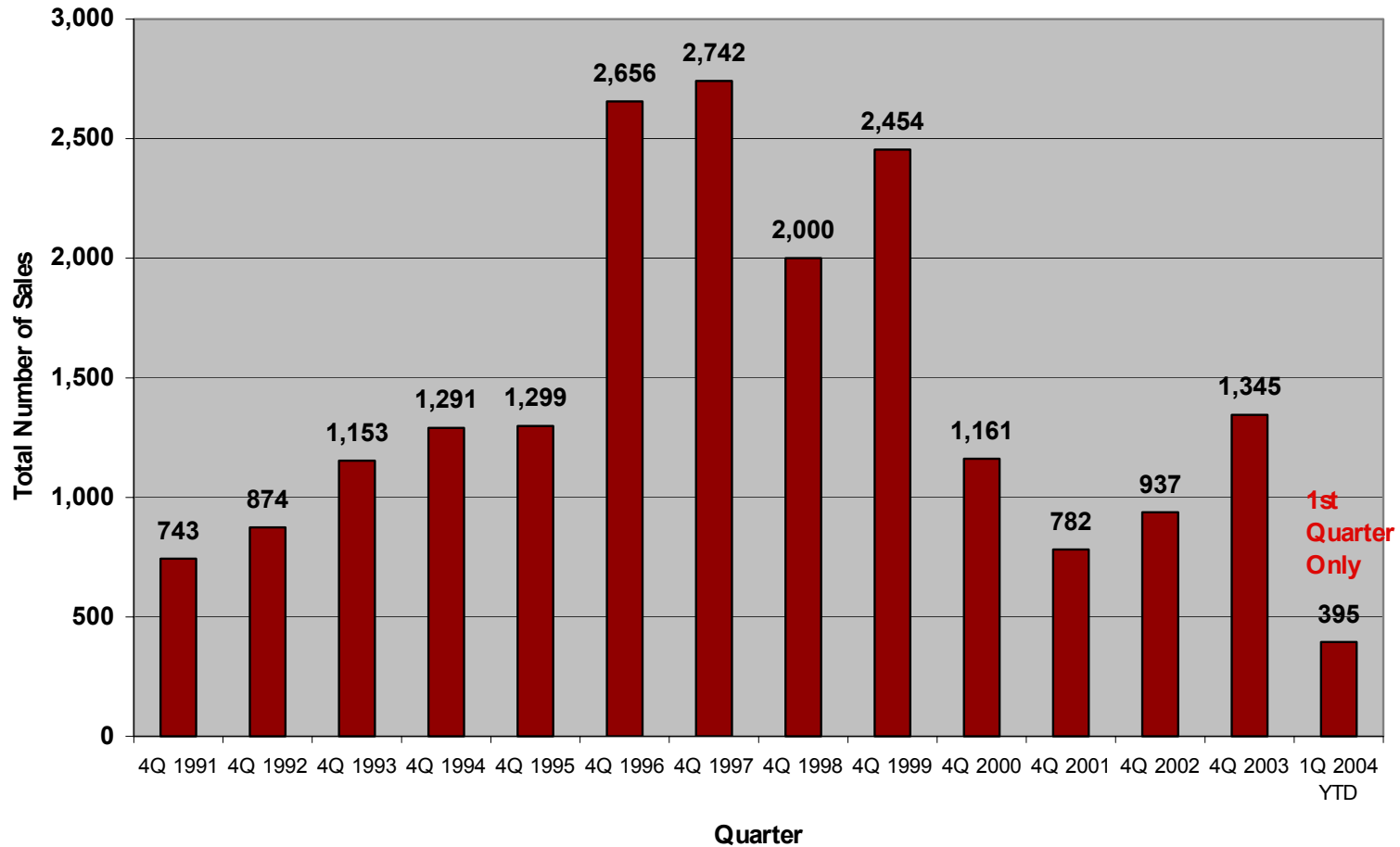
Historical Sales Analysis
Santa Clara County New Home Product
Single Family Attached Sales
1991 to 1Q 2004



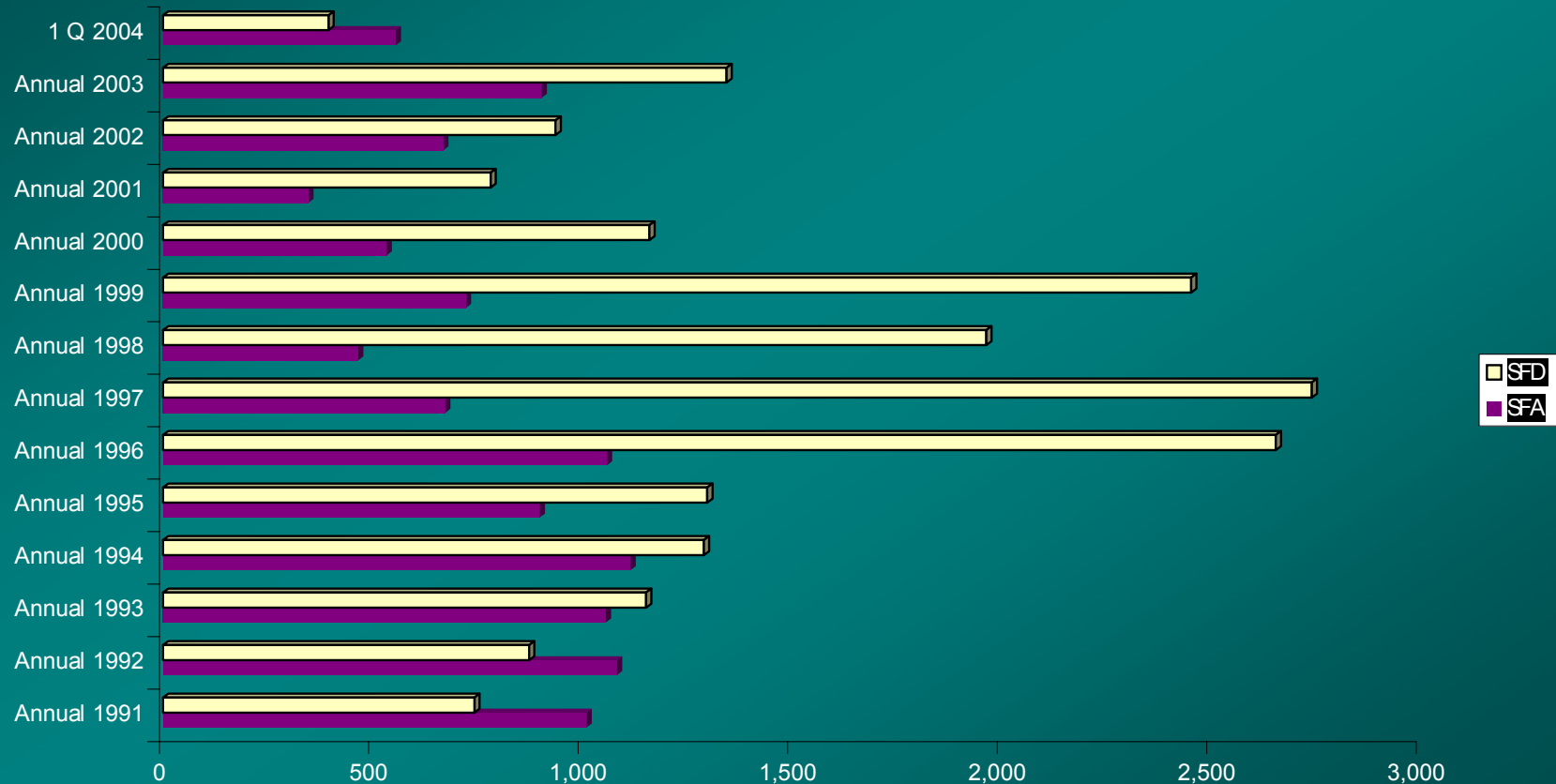
Historical Sales Analysis
Santa Clara County New Home Product
Single Family Detached Sales by Quarter
1991 to 1Q 2004



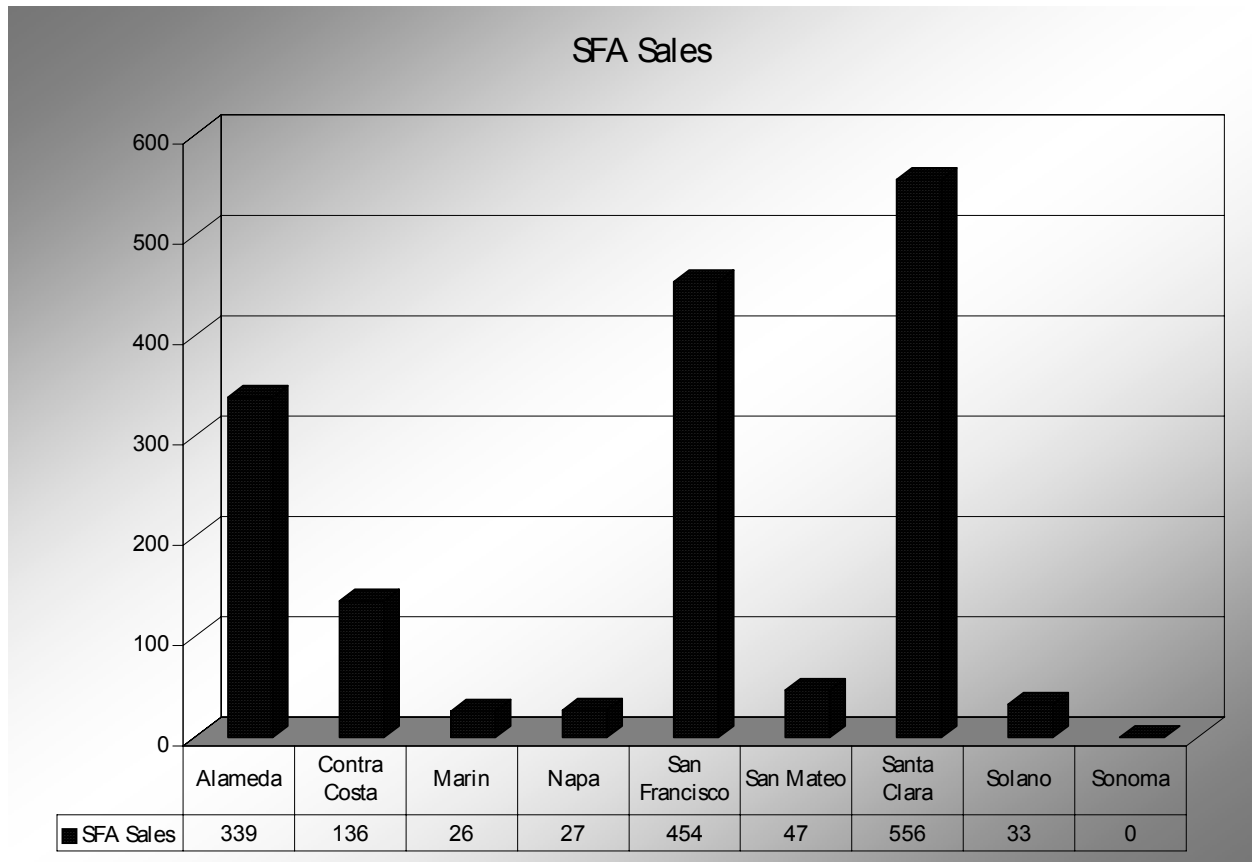
Historical Sales Analysis
Santa Clara County New Home Product
Single Family Detached Sales
1991 to 1Q 2004



Annual New-Home Sales Santa Clara County - 1991 to 1Q 2004

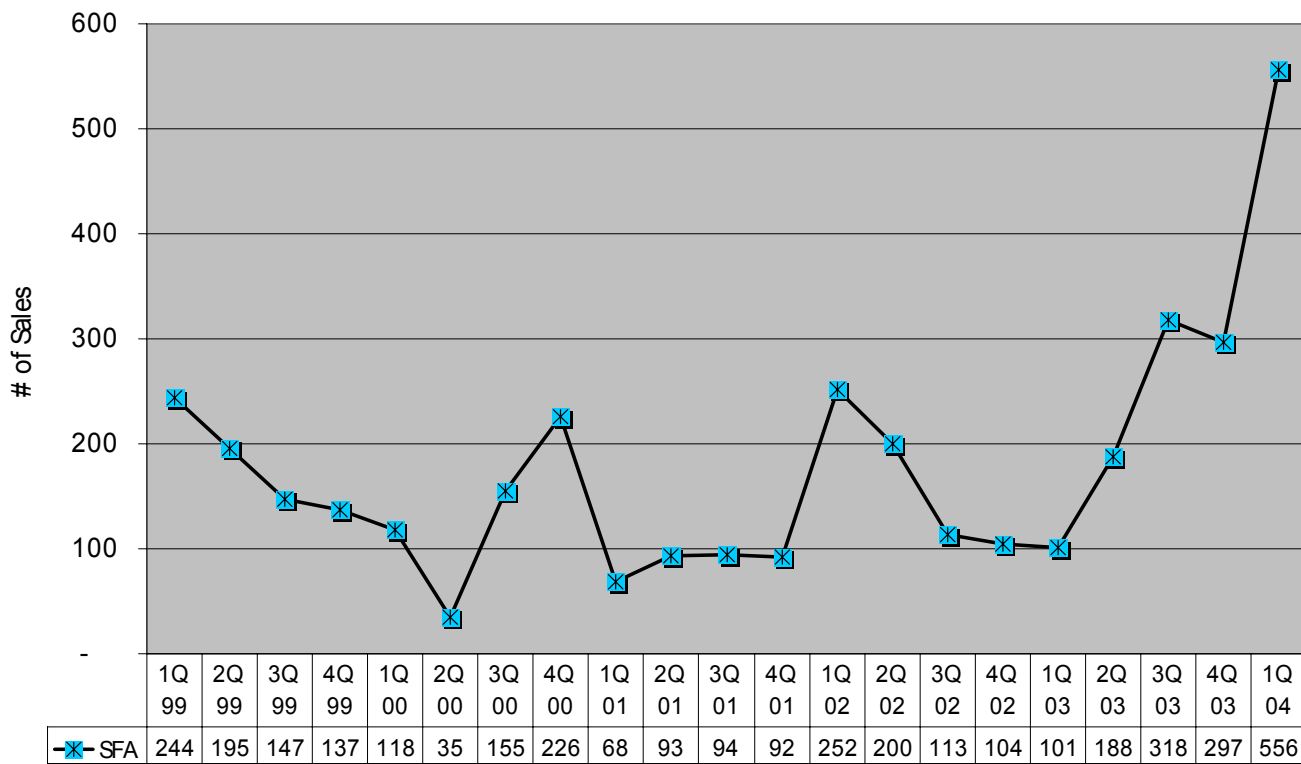


By the 1st Quarter of 2004, Santa Clara ranked #1 in terms of overall volume of attached sales in the entire 9-Bay Area



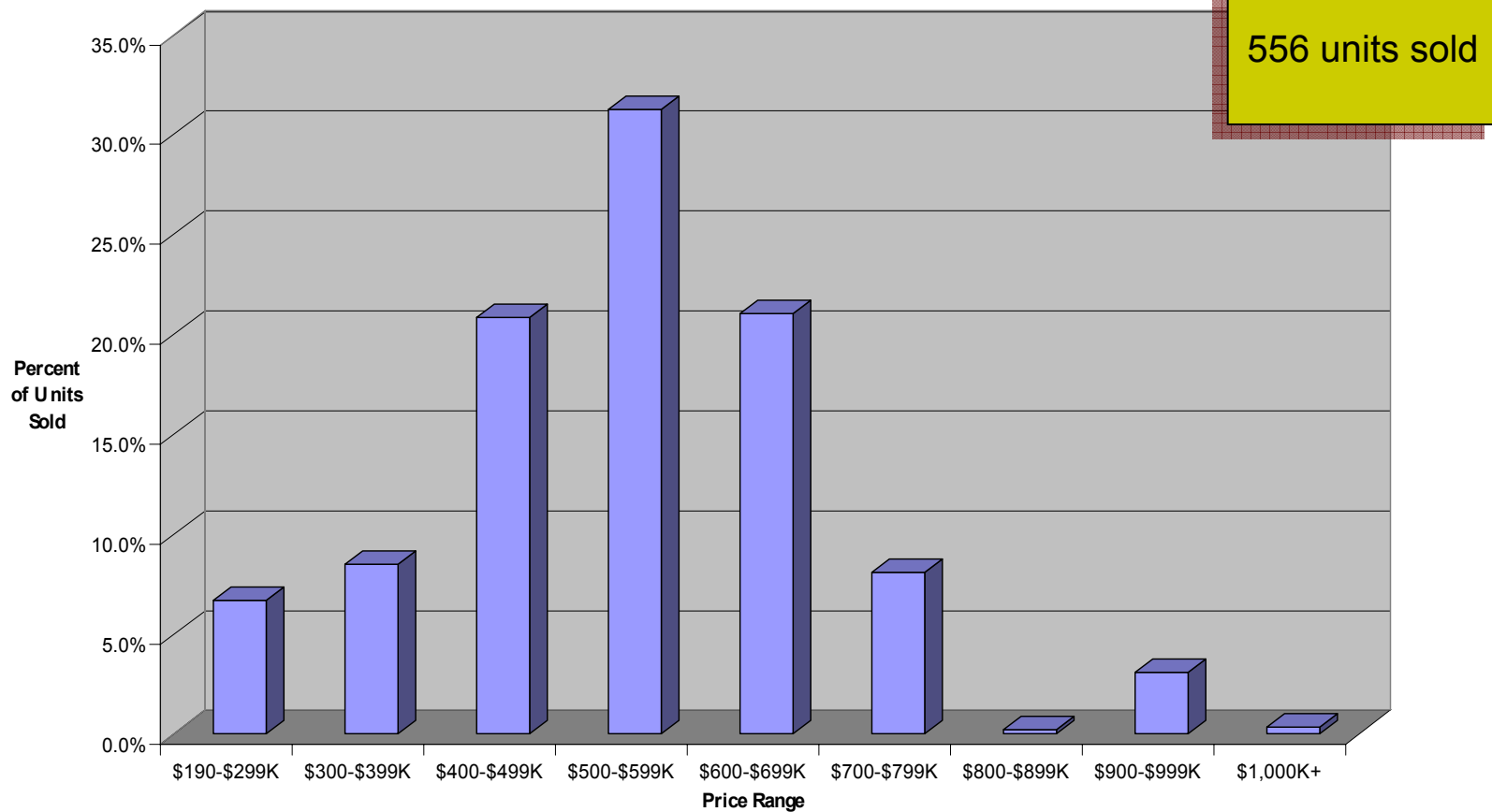
The total number of attached sales in Santa Clara County has tripled since the beginning of 2001 and double the total even when we compare it to the “height” of the dotcom boom in the late 1999 and beginning of 2000 time period. We believe that the Santa Clara buyer is going to be more and more receptive of attached product, particularly when it is within walking distance of strong goods and services, such as in the case of the subject site.

New Home Sales by Quarter • Single Family Attached
Santa Clara County



Sales Distribution by Price

Single Family Attached - 1Q 2004





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APPENDIX B:

SELECTED MID-RISE AND HIGH-RISE RESIDENTIAL PROJECTS

MID-RISE AND HIGH-RISE RESIDENTIAL PROJECTS

This appendix provides descriptions of two sets of mid- and high-rise projects. The first includes rental projects throughout the San Francisco Bay Area that have been constructed and leased. This section provides background information on the locations, price points, and tenants at these rental developments. The second description provides information on the three development projects in the City of San Jose's pipeline that will represent the first high-rise developments in the City.

BUILT PROJECTS: SELECTED BAY AREA PROJECTS

TAN PLAZA CONTINENTAL

Tan Plaza Continental is a nine-story, 61-unit luxury apartment complex located in Palo Alto. The 40 year old complex, considered a city landmark building, underwent significant renovations in 1993. Units on the higher levels enjoy city, mountain, and partial bay views. Built on 1.92 acres, Tan Plaza has a density of nearly 32 units/acre.

The majority of the units, nearly 80 percent, are two-bedroom/two-bathroom units. One-bedroom/one-bathroom units comprise 5 percent; three-bedrooms/two-bathroom units comprise 5 percent; and three-bedroom/three-bathroom units comprise 11 percent. The units are equipped with designer kitchens, wall-to-wall carpet, crown molding, abundant closet space, and large, private balconies; laundry facilities are located on each residential floor. The average size of the units is 1,340 sq. ft. at a monthly rent of \$2,387; the average price per square foot is \$1.78 (see **Table B-1** for details on unit mix.) Air-conditioning, heat, water, and garbage disposal are included in the rent, and electricity, gas, and cable are paid by the tenant. The rent level also varies by height, with higher levels assessed a premium in the range from 3 percent to as high as 30 percent.

The complex features several luxury amenities, such as a sky lounge on the ninth floor, an open community room with expansive views, which is available for casual use or for private gatherings. Also located on the top floor are fitness equipment and saunas. Other recreational amenities are located on ground level: a barbeque area, swimming pool, garden, and cabana, which can also be used for casual or reserved use. The building is secure at all times and accessible by resident key. Private security also patrols the grounds at night.

Tan Plaza marks the entrance of Palo Alto Orchards, a residential neighborhood area that is mainly comprised of well-maintained, single-family detached homes with a median home value of around \$740,000. A smattering of low-scale apartment complexes is also located throughout the neighborhood. Tan Plaza is adjacent to and overlooks Juana Briones Park and is within walking distance to Terman Park. The complex is also

Table B-1
Selected high-rise residential complexes
Coyote Valley Specific Plan Market Analysis

Project Name	# Units	Type	Size (sq.ft.)	Rent-Low	Rent-High	\$/SF
Tan Plaza Continental	3	1bed/1bath	854	\$1,770	\$1,820	\$2.09
580 Arastradero Road	48	2bed/2bath	1,300	\$2,030	\$2,650	\$1.72
Palo Alto, California	3	3bed/2bath	1,750	\$3,420	\$3,480	\$1.97
61 Total Units	7	3bed/3bath	<u>1,650</u>	<u>\$3,190</u>	<u>\$3,310</u>	<u>\$1.96</u>
		<i>Averages</i>	<i>1,340</i>	<i>\$2,387</i>		<i>\$1.78</i>
Avalon Towers on the Peninsula	84	1bed/1bath	826	\$1,700	\$2,000	\$2.18
2400 West El Camino Real	121	2bed/2bath	1,139	\$2,400	\$2,800	\$2.22
Mountain View, California	6	3bed/2bath	<u>1,491</u>	<u>\$3,000</u>	<u>\$3,000</u>	<u>\$2.01</u>
211 Total Units		<i>Averages</i>	<i>1,024</i>	<i>\$2,254</i>		<i>\$2.20</i>
Essex on Lake Merrit	16	studio	648	\$1,250	\$1,655	\$2.14
One Lakeside Drive	16	studio	660	\$1,250	\$1,655	\$2.10
Oakland, California	16	jr. one-bed	652	\$1,335	\$1,975	\$2.37
270 Units	7	1bed/1bath	1,185	\$1,335	\$1,975	\$1.31
	29	1bed/1bath	948	\$1,335	\$1,975	\$1.63
	101	1bed/1bath	834	\$1,335	\$1,975	\$1.86
	8	2bed/2bath	1,339	\$2,995	\$4,600	\$2.64
	20	2bed/2bath	1,154	\$2,200	\$2,900	\$2.11
	27	2bed/2bath	1,326	\$2,995	\$4,600	\$2.66
	30	2bed/2bath	1,350	\$3,000	\$4,600	\$2.62
		<i>Averages</i>	<i>968</i>	<i>\$2,071</i>		<i>\$2.09</i>
Avalon Towers	70	1bed/1bath	880	\$1,810	\$2,850	\$2.45
388 Beale Street	90	2bed/2bath	1,249	\$2,450	\$3,900	\$2.35
San Francisco, California	66	3bed/3bath	1,789	\$3,000	\$4,075	\$1.87
226 Units		<i>Averages</i>	<i>1,292</i>	<i>\$2,810</i>		<i>\$2.18</i>
Mission Place	130	studio	587	\$1,700	\$1,700	\$2.90
201 King Street	200	1bed/1bath	670	\$2,150	\$2,150	\$3.21
San Francisco, California	100	2bed/1.5bath	1,060	\$2,700	\$2,700	\$2.55
595 Units	100	2bed/2bath	1,036	\$2,700	\$2,700	\$2.61
	65	3bed/2bath	1,518	\$4,200	\$4,200	\$2.77
		<i>Averages</i>	<i>872</i>	<i>\$2,461</i>		<i>\$2.82</i>

Source: RealFacts and Economic and Planning Systems, Inc.

located close to a fire station, library, and the public schools.¹³ Tan Plaza is located a little over a mile away from the San Antonio Shopping Center, an older, but remodeled regional shopping center that is anchored by Wal-Mart, Mervyn's, Sears, Ross, Rite-Aid, Albertson's, and Trader Joe's. Stanford Shopping Center, the high-end regional shopping center adjacent to the University is also less than 20 minutes away.

The main road on which the complex fronts is busy, although the speed limit is set at 25 mph. Located a few blocks off of El Camino Real, the major arterial roadway, Tan Plaza is served by the VTA buslines and light rail and is ten minutes away from the Palo Alto Caltrains stop. The complex is also fairly accessible by Highways 101 and 280. Each resident is assigned a covered parking space and is allowed unlimited use of available uncovered spaces. Parking is rarely a problem, as street parking is also quite plentiful.

Tan Plaza enjoys fairly stable occupancy, averaging about two to three vacancies a month. As of April 2004, the occupancy was at 93 percent. Approximately half of the residents are retirees, many of whom are longtime residents. The other resident population is comprised of young professionals and families who work nearby at Stanford University. Many of the families are attracted to Tan Plaza for its proximity to the public schools, particularly to Gunn High School, which is highly-regarded in the Bay Area. And according to the property manager, many families repeatedly express their content with luxury apartment living as a hassle-free way of living in a nice community.

AVALON TOWERS ON THE PENINSULA

Avalon Towers on the Peninsula is comprised of two 11-story, 211-unit apartment towers located in Mountain View, bordering Los Altos and Palo Alto. Completed in 2002, the complex was one of four AvalonBay projects constructed simultaneously, which cost a total of \$195.3 million; based on a estimated per unit cost, Avalon Towers on the Peninsula cost approximately \$48 million.¹⁴ The first high-rise residential building in Mountain View, Avalon Towers features luxury apartments with expansive city, mountain, and partial bay views. Built on 2 acres, Avalon Towers on the Peninsula has a density of 105.5 units/acre.

The majority of the units, over 57 percent, are two-bedroom/two-bathroom units. One-bedroom/one-bathroom units comprise 40 percent, and three-bedroom/two-bathroom units comprise three percent. The units are equipped with gourmet kitchens, constructed with high-end building materials, such as maple cabinetry, granite countertops, and wood or granite flooring, as well as walk-in closets, digital cable access, carpeting, high ceilings, and private patios or verandas; each apartment also has its own washer and dryer unit. Furnished units are also available. The average size of

¹³ "Palo Alto Orchards: A slice of the countryside in Palo Alto," Moreau, Daniel, Palo Alto Online, 2004

¹⁴ Ursery, Stephen, "AvalonBay will have beds for those who have a lot of bread," National Real Estate Investor, November 1, 2000

the units is 1,024 sq. ft. at a monthly rate of \$2,255; the average price per square foot is \$2.20 (see **Table B-1** for details on unit mix.) Height also comes at a premium of approximately 17 percent, or an additional \$300 to \$400 per month.

The complex features several luxury amenities, such as a swimming pool and spa, a 24-hour fitness center with a weekly yoga class, a community library, a business center with support services, an executive conference room, and an outdoor cucina gourmet kitchen with barbeque. The complex also features concierge service to arrange a number of convenience services geared towards the busy professional, such as maid services, laundry and dry-cleaning, mail services, car detailing, massage services, carpool coordination, restaurant and grocery delivery, and organized social activities. The complex is secured by a controlled access system that covers the parking garage, residences, and common areas.

Avalon Towers is located in the San Antonio mixed-use district on El Camino Real, the major arterial roadway, which is lined with various auto-oriented retail outlets, such as fast-food and independent restaurants, and other specialty retail stores. The complex is ensconced between two Class A high-rise office buildings, but it is set back far away enough from the main road and surrounded by landscaping to create a somewhat sheltered living environment. Avalon Towers is located close to Downtown Los Altos, a traditional main street with various independent specialty retail shops and restaurants, the San Antonio Shopping Center, an older, but remodeled regional retail shopping center, anchored by Wal-Mart, Mervyn's, Sears, Ross, Rite-Aid, Albertson's, and Trader Joe's. Stanford Shopping Center, a high-end luxury regional shopping center is also less than 20 minutes away.

Avalon Towers is served by VTA buslines on El Camino Real, the light rail at the San Antonio Shopping Center, and Caltrains. The complex is accessible by Highways 85, 101, 237, and 280. Each resident is assigned a space in the 250-space parking garage shared with the adjacent office building. Additional spaces are available for second cars and are usually more than enough; however, due to the shared nature of the garage, availability depends on the timing of arriving residents with departing office employees.

Avalon Towers on the Peninsula was 92 percent occupied as of March 2004. According to property management, residents are most attracted to the complex for the elaborate level of luxury services, which provide for a very convenient and comfortable living experience. The complex is often viewed as a transitional living environment for residents needing a place to live while looking to buy, as evidenced by several poolside gatherings celebrating neighbors' entry into homeownership. On the opposite end, Avalon Towers is also a place for residents who have simplified from single-family detached home living and are transitioning to communal living for the first time. Several design aspects and services are geared toward easing this transition, such as extensive resident services and accessible maintenance staff, and trolleys to aid with grocery transport from the parking structure. The only concern expressed by residents was the rent level, which is the highest in the area; however, the majority of informal

resident reviews confirmed that the property amenities matched the price appropriately and that their overall experience at the new development was very favorable.

THE ESSEX ON LAKE MERRITT

The Essex on Lake Merritt is a 270-unit luxury apartment complex comprised of one 20-story tower and one eight story tower located in Oakland. The two-year old project, now considered a city landmark, was built on the site of an abandoned lot at an estimated \$65 million. The first luxury high-rise in the area, The Essex was dubbed by the mayor as achieving the “elegant density” at the heart of the new City campaign to bring new residents to downtown Oakland.¹⁵ Situated on the edge of Lake Merritt, The Essex features commanding views of the lake, cityscape, Oakland Hills, and the San Francisco Bay.

The Essex offers ten different floor plans that range from a 648 sq. ft. studio to a 1,350 sq. ft. two bedroom/two bathroom unit. The majority of the units, approximately 51 percent, are one-bedroom/one bathroom units. Two-bedroom/two-bathroom units comprise 31 percent, studios comprise 12 percent, and junior one-bedrooms make up the remaining six percent. The units are equipped with gourmet kitchens, constructed with high-quality materials, such as maple cabinetry and granite countertops, as well as expansive windows, nine foot ceilings, and private terrace or balconies; each apartment also has its own washer and dryer unit. The average size of the units is 968 sq. ft. at a monthly rent of \$2,071; the average price per square foot is \$2.09 (see **Table B-1** for details on unit mix).

The complex features several luxury amenities, such as a business center, conference room, swimming pool, spa, fitness center, clubhouse, and barbeque area. The Essex also features a 24-hour attended lobby, controlled access, and a full-service concierge.

The bi-level tower configuration of The Essex enables it to take a strong position on the lakefront, while easing into the surrounding lower-scale residential neighborhood. The curved lay-out of the complex also works to provide Essex residents with desirable water views, while protecting the view corridor of surrounding neighbors.¹⁶ The Essex’s lakefront location in an urban core environment creates a unique medley of external amenities. Residents have access to a jogging path and a wildlife preserve that surrounds Lake Merritt, as well as a host of cultural and entertainment outlets located a few blocks away at Jack London Square and Downtown Oakland.

The Essex is convenient to Highway 880, 580, and 80, several BART stations and AC Transit buslines, and is located less than 10 miles away from the Oakland International Airport. Parking is available in a subterranean parking facility for an additional

¹⁵ Robson, Douglas, “Essex Property plugs ‘Das Hole’ on Lake Merritt,” San Francisco Business Journal, August 2, 1999

¹⁶ Williams, Allison G. “Reaching New Heights in Urban Living,” Ai Trends, Nov 02

monthly charge, ranging from \$50 for a standard nonpremium space to \$125 for a tandem premium space; each household is allowed one space and additional spaces are not available.

As of March 2004, The Essex was 94 percent occupied. Typical residents include childless 20 and 30-somethings as well as a growing population of empty-nesters and families, and some professional athletes. With a minimum household income threshold of three times the monthly rent level, the minimum household income ranges from \$43,200 for a studio to \$111,600 for a penthouse. According to informal resident reviews, The Essex's main attractions are the new construction, modern design, expansive views, and unique urban, lakefront location.

PACIFIC PARK PLAZA

Pacific Park Plaza is a 30-story, 583 units luxury residential complex located in Emeryville. The 20 year old tower rises to 318 feet and sits one mile north of the bay bridge, providing for sweeping views of the San Francisco Bay, Oakland Hills, and East Bay cityscape.

Pacific Park is a condominium complex that is 58 percent owner-occupied and 42 percent renter-occupied. The luxury complex is comprised of five different floor plans with units priced individually according to their quality of view and presence of upgrades. As of February 2004, the "D" plan, the 634 sq. ft. one-bedroom units, was selling for approximately \$230,000 to \$299,999; monthly HOA dues were an additional \$278. The "F" plan, the 768 sq. ft. one-bedroom units, was selling for \$250,000 to \$375,000; monthly dues were \$294. The "A" plan, the 1,144 sq. ft. one bedroom with den units was selling for \$429,000 to \$750,000; monthly HOA Dues were \$375. The "B" plan, the 1,369 sq. ft. two-bedroom and two bathroom units, was selling for \$450,000 to \$800,000; monthly HOA dues were \$390. The penthouse units were selling for \$695,000 to \$800,000; monthly HOA dues were \$473. Higher-storied units as well as units with recent upgrades were priced significantly higher, such as a currently available, newly refurbished two-bedroom/one and a half bathroom unit on the eighth floor that was listed at \$599,000.

Rental units also vary by unit height and conditions and by the individual owners. Typically, the "D" plan units rent for \$1,200 to \$1,600, the "F" plan units rent for \$1,400 to \$2,000, the "A" plan units rent for \$1,900 to \$2,500, and the "B" plan rented for \$2,000 to \$3,000; the penthouse units are priced individually. Included in the rent are costs of water, trash removal, parking, basic cable television, and use of community facilities.

The luxury complex features extensive recreational facilities, such as a health club, swimming pool, tennis courts, saunas, a jacuzzi, a lounge, and a party room. The complex also offers several convenience-oriented features, such as an on-site market and dry-cleaners, as well as 24-hour security and reception.

Park Plaza is located on the Emeryville waterfront in a mixed-use area. The complex is primarily surrounded by offices and is in walking distance to a plethora of dining and shopping outlets at the East Bay Bridge Center, Emeryville Public Market, and Bay Street; also located in close proximity are two multiplex theaters. A waterfront trail is the only significant open space area located nearby.

Park Plaza is served by the Emery-Go-Round BART shuttle, a free-of-charge service funded by Emeryville commercial property owners in the Property Improvement District, AC Transit local and Transbay buslines, as well as a private commuter shuttle that provides service to and from the financial district in San Francisco. According to agents, shuttle ridership has markedly declined in the last few years, likely caused by the development of Emeryville as an employment center. The complex is located blocks away from the 580 and 80 freeways and the Bay Bridge into San Francisco. Parking is provided in an adjacent structure.

According to agents, the majority of Pacific Park tenants are affluent young professionals. The rest of the tenant population is comprised of foreign students and local empty-nesters. Pacific Park has experienced tremendous market appreciation in the recent years. Buyers, many of whom are existing owners and tenants, view ownership at Pacific Park as a good investment and are lined up to buy their unit or multiple units. According to agents, some units have sold overnight due to such high interest.

AVALON TOWERS

Avalon Towers is comprised of two 20-story residential towers with 226 unit luxury apartment complex located in San Francisco. The five year old complex was the first high-rise rental apartment complex constructed in San Francisco in ten years.¹⁷ Located along the San Francisco waterfront, the Avalon Towers offers residents sweeping views of the San Francisco cityscape and bay.

Avalon Towers offers three unit types: an 880 sq. ft. one-bedroom/one-bathroom (70 units), a 1,249 sq. ft. two-bedroom/two-bathroom (90 units), and a 1,786 sq. ft. three-bedroom/three-bathroom (66 units). Rents increase with height and range from \$1,810 to \$2,850 for one-bedroom/one-bathroom units, \$2,450 to \$3,900 for two-bedroom/two-bathroom units, and \$3,000 to \$4,000 for three-bedroom/three-bathroom units. Units are equipped with floor-to-ceiling, double-paned UV-protected windows, fully-equipped gourmet kitchens, walk-in closets, fireplaces in penthouse units, advanced cabling network, storage facilities, and private balconies in selected units. Full-size washer and dryers are located in each unit. The average size of the unit is 1,292 sq. ft. at a monthly rent of \$2,810; the average price per square foot is \$2.18 (see **Table B-1** for details on unit mix).

¹⁷ www.webcor.com

The complex features several luxury amenities such as a spa, fitness center, business center, and clubhouse. Additionally, there are several convenience amenities, such as a 24-hour concierge, limousine service, and valet dry-cleaning and shoe repair services.

Located in San Francisco's SOMA neighborhood, a mixed-use district currently undergoing a renaissance, Avalon Towers is adjacent to the Bay Bridge and surrounded by industrial, office, and retail uses, as well as large surface parking lots. Retail outlets located nearby are mainly specialty outlets, such as apparel, general merchandise, and specialty goods. The complex is served by a number of MUNI buslines, the light rail and Caltrains, and is within walking distance to San Francisco's financial district and the waterfront path along the embarcadero. Parking is provided in an underground lot and street parking is generally available.

As of March 2004, Avalon Towers was 96 percent occupied. According to informal resident reviews, the complex's largest selling points are its proximity to transit, freeway, and the financial district, and the unique design and condition of the facility itself.

MISSION PLACE

Mission Place is comprised of two 16-story towers and multiple eight and nine-story buildings with a total of 595 luxury apartment units (including 27 set aside as affordable units) located in San Francisco. Built on five acres, the complex has a density of 119 units/acre and is estimated to cost \$170 million. As part of San Francisco's "newest neighborhood," the residential project is part of a larger urban village concept that will include 83,000 sq. ft. of retail to include Safeway, Borders Books & Music, Starbucks, Cingular Wireless, Wells Fargo, and Amici's Pizza; approximately 45,000 sq. ft. of office space and 1,000 parking stalls are also planned.¹⁸ Located on the San Francisco waterfront, Mission Place features sweeping views of San Francisco Bay, cityscape, and the Bay and Golden Gate Bridges.

Mission Place offers five different floor plans: a 587 sq. ft. junior one-bedroom (130 units), a 670 sq. ft. one-bedroom/one-bathroom unit (200 units), a 1,070 sq. ft. two-bedroom/one and a half bathroom unit (100 units), a 1,036 sq. ft. two-bedroom/two-bathroom unit (100 units), and a 1,518 sq. ft. three-bedroom/two bathroom unit (65 units). The average size of the units is 872 sq. ft. at a monthly rate of \$2,461; the average price per square foot is \$2.82 (See **Table B-1** for details on unit mix.) The units are equipped with gourmet kitchens, constructed with granite countertops, floor-to-ceiling windows in selected units, ample closet space, high speed internet access, and private balconies; each unit is also equipped with a washer and dryer.

¹⁸ Temple, James, "Winner: Mission Place, San Francisco," San Francisco Business Times, March 26, 2004

The complex features several luxury amenities, such as a swimming pool, spa, fitness center, a social lounge, meeting facilities, a library, and a business center, as well as controlled access, full-service concierge, and valet parking. Residents also can enjoy two outdoor terraces, The Garden Terrace, and The Recreation Terrace.

Mission Place is part of the 300-acre Mission Bay master-planned community that is blocks away from San Francisco's financial district. The residential development is situated on the waterfront and is surrounded by new apartment and condominium projects, neighborhood retail, a Corporate, Science, and Technology campus, and a new UCSF research campus. Mission Place sits along the tree-lined embarcadero and is within walking distance to several high-end restaurants, tourist venues, and several recreational open areas. Mission Place is also located directly across from SBC Park, the home stadium for the San Francisco Giants major league baseball team.

Mission Place is served by every possible public transit option, including the MUNI streetcar, light rail, and bus system, Caltrains, BART, AC Transit Transbay service, and San Francisco ferries. King Drive, on which the residential complex is located, leads directly onto 280 and 101 freeways, as well as the Bay and Golden Gate Bridges. Residents are provided with a garage parking space for a monthly charge of \$210; valet parking is also available.

Opened in December 2003, Mission Place was seven percent occupied as of March 2004. The majority of residents are affluent young professionals, including a few professional athletes and their young families. According to current residents among the first to reside at Mission Place, the complex's main appeal were its convenient freeway access, sweeping bridge and San Francisco Bay views, and external amenity package, including the planned on-site gourmet grocery store and café. Additionally, residents also found Mission Place's waterfront location across from the ballpark a unique way to experience the new urban neighborhood.

PLANNED PROJECTS: CITY OF SAN JOSE

To date, there has been minimal high-rise development, with the large majority of the newer higher-density developments less than six stories. The current development pipeline, which for the most part, reflects the trends of the last 14 years, does, however, include three high-rise projects all proposed by local developer Barry Swenson, with two located downtown and one located on the eastern edge of the Willow Glen area. These projects all include development of steel-frame buildings of over ten stories and include for-sale lofts and condominiums as well as high-end rental units.

VENDOME PLACE

Vendome Place is a high-rise project located one block south of City Hall at North First Street and Ashbury in the Central planning area. The site is one block from the light-rail system and has easy access to Highway 87. The 400-unit residential complex is comprised of one 9-story apartment tower, including a 2-story penthouse, and two 14-story residential towers (tenure type for the 14-story towers has not yet been specified). Of the 400 units, 20 percent will be designated affordable units. The project will also include commercial uses and ground level parking garages and will be characterized by traditional Bay Area design standards of stucco siding and light earth tone coloring.

The project, located on a 4.66-acre site, will have a density of nearly 86 units per acre and will be San Jose's highest and most dense residential development at buildout. The project will be developed in three phases, starting with the nine-story apartment tower, which broke ground in October 2003. The construction of subsequent stages will depend on the demand for the market-rate units, and total buildout is estimated to take anywhere from four to seven years.

TAMIEN PLACE

Tamien Place is a recently-approved for-sale project in the Washington District bordering the Willow Glen planning area. The 242-unit project, comprised of two 120-foot steel and glass 11-story condominium towers and 14 townhomes, sits at the corner of Lick and West Alma Avenues on the site of the former Alma Bowl, next to the Tamien light rail and Caltrain station. The project, which will have a density of over 80 units per acre, will be the City's first high-rise residential development outside of Downtown San Jose. As part of the deal, which took two years to negotiate, the developer will designate 48 units as affordable to moderate-income families, contribute \$1.4 million to replace displaced parking spaces, and pay \$3 million in parkland fees. The condominiums are expected to sell for prices in the \$325,000 to \$550,000 range. Tamien Place is expected to attract households without children, since the neighborhood currently lacks child-friendly entertainment and dining options and experiences some noise from trains and airplanes.

CITY HEIGHTS AT PELLIER PARK

Barry Swenson Builder is also proposing a third high-rise, high-density residential project, the second in downtown San Jose. The project, City Heights at Pellier Park, is estimated to cost \$50 million. The 16-story condominium tower is expected to reach 175 feet, sited on a less than one-acre parcel, and have a density of 166 units per acre. The proposal is currently under City review.